

PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED FEBRUARY 6, 2019

Rating: See "Rating" herein.
S&P Global Ratings:

New Issue

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

**TOWN OF SANDWICH, MASSACHUSETTS
\$21,095,000* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2019 BONDS**

DATED
Date of Delivery

DUE
March 1
(as shown below)

The Bonds are issuable only in fully registered form, registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form in the denomination of \$5,000, or any integral multiple thereof. (See "THE BONDS-Book-Entry Transfer System" herein.)

Principal of the Bonds will be payable March 1 of the years in which the Bonds mature. Interest on the Bonds will be payable March 1 and September 1, commencing September 1, 2019. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds will be subject to redemption prior to their stated maturity dates as described herein.

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the Town of Sandwich, Massachusetts, and that the principal of and interest on the Bonds are payable from taxes that may be levied upon all the property within the territorial limits of the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

MATURITIES, AMOUNTS*, RATES, PRICES OR YIELDS AND CUSIPS

Due March 1	Principal Amount*	Interest Rate	Price or Yield	Cusip 800239	Due March 1	Principal Amount*	Interest Rate	Price or Yield	Cusip 800239
2020	\$1,130,000		%		2035	\$ 380,000		%	%
2021	1,130,000				2036	380,000			
2022	1,130,000				2037	375,000			
2023	1,130,000				2038	375,000			
2024	1,130,000				2039	375,000			
2025	1,130,000				2040	375,000			
2026	1,130,000				2041	375,000			
2027	1,125,000				2042	375,000			
2028	1,125,000				2043	375,000			
2029	1,125,000				2044	375,000			
2030	910,000				2045	375,000			
2031	910,000				2046	375,000			
2032	910,000				2047	375,000			
2033	910,000				2048	375,000			
2034	910,000								

THE BONDS ARE BEING OFFERED FOR SALE AT 11:00 A.M. (EASTERN TIME) ON WEDNESDAY, FEBRUARY 13, 2019, AT HILLTOP SECURITIES INC., 54 CANAL STREET, 3RD FLOOR, BOSTON, MASSACHUSETTS IN THE CASE OF SEALED PROPOSALS AND IN THE CASE OF ELECTRONIC PROPOSALS, VIA PARITY, IN THE MANNER SET FORTH IN THE NOTICE OF SALE. REFERENCE IS MADE TO THE NOTICE OF SALE DATED FEBRUARY 6, 2019 FOR THE CONDITIONS OF SUCH SALE.

The Bonds are offered subject to the final approving opinion of Locke Lord LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. Hilltop Securities Inc., Boston, Massachusetts has acted as Financial Advisor to the Town of Sandwich, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about March 7, 2019, against payment to the Town in federal funds.

*Preliminary, subject to change.

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

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The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement. The information set forth herein has been obtained from the Town and from other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. Any statement, made in this Official Statement involving matters of opinion, whether or not expressly stated are intended merely as opinion and not as representations of fact.

SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale: Wednesday, February 13, 2019, 11:00 a.m. (Eastern Time).

Location of Sale: Hilltop Securities Inc., 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.

Issuer: Town of Sandwich, Massachusetts.

Issue: \$21,095,000* General Obligation Municipal Purpose Loan of 2019 Bonds, see "THE BONDS Book-Entry-Transfer System" herein.

Preliminary Official Statement Dated: February 6, 2019.

Dated Date of the Bonds: As of their date of delivery.

Principal Due: Serially March 1, 2020 through March 1, 2048, as detailed herein.

Interest Payable: Semi-annually March 1 and September 1, commencing September 1, 2019.

Purpose and Authority: The Bonds are authorized by the Town for various municipal purposes under provisions of the Massachusetts General Laws as detailed herein.

Redemption: The Bonds will be subject to redemption prior to their stated maturity dates as detailed herein.

Security: The Bonds are payable from taxes that may be levied upon all the property within the territorial limits of the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

Credit Rating: The Town has applied to S&P Global Ratings for a rating on the Bonds.

Bond Insurance: The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.

Basis of Award: Lowest True Interest Cost (TIC), as of the dated date. **BIDS MUST INCLUDE A PREMIUM OF AT LEAST \$115,000.**

Tax Exemption: Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion."

Continuing Disclosure: Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."

Bank Qualification: The Bonds **will not** be designated by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Paying Agent: U.S. Bank National Association, Boston, Massachusetts.

Legal Opinion: Locke Lord LLP, Boston, Massachusetts.

Financial Advisor: Hilltop Securities Inc., Boston, Massachusetts.

Delivery and Payment: It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about March 7, 2019, against payment in federal funds.

Issuer Official: Questions concerning the Official Statement should be addressed to: William Jennings, Treasurer, Town of Sandwich, Massachusetts Telephone (781) 784-1512 or Cinder McNerney, Regional Managing Director, Boston, Massachusetts Telephone (617) 619-4408.

*Preliminary, subject to change.

NOTICE OF SALE

**TOWN OF SANDWICH, MASSACHUSETTS
\$21,095,000* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2019 BONDS**

The Town of Sandwich, Massachusetts (the "Town") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Wednesday, February 13, 2019, for the purchase of the following described General Obligation Municipal Purpose Loan of 2019 Bonds of the Town (the "Bonds"):

\$21,095,000* General Obligation Municipal Purpose Loan of 2019 Bonds payable March 1 of the years and in the amounts as follows:

Due March 1	Principal Amount*	Due March 1	Principal Amount*
2020	\$1,130,000	2035	\$ 380,000 **
2021	1,130,000	2036	380,000 **
2022	1,130,000	2037	375,000 **
2023	1,130,000	2038	375,000 **
2024	1,130,000	2039	375,000 **
2025	1,130,000	2040	375,000 **
2026	1,130,000	2041	375,000 **
2027	1,125,000	2042	375,000 **
2028	1,125,000	2043	375,000 **
2029	1,125,000 **	2044	375,000 **
2030	910,000 **	2045	375,000 **
2031	910,000 **	2046	375,000 **
2032	910,000 **	2047	375,000 **
2033	910,000 **	2048	375,000 **
2034	910,000 **		

*Preliminary, subject to change.

**Callable maturities. May be combined into not more than three Term Bonds as described herein.

The Bonds will be dated their date of delivery. Principal of the Bonds will be payable on March 1 of the years in which the Bonds mature. Interest will be payable September 1, 2019 and semi-annually thereafter on each March 1 and September 1 until maturity.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures established by DTC and its Participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to beneficial owners will be the responsibility of such participants and other nominees of beneficial owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The original Bonds to be immobilized at DTC will be prepared under the supervision of Hilltop Securities Inc., Boston, Massachusetts and their legality will be approved by Locke Lord LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

The Bonds maturing on and before March 1, 2028 are not subject to redemption prior to their stated maturity dates. Bonds maturing on and after March 1, 2029 are subject to redemption prior to their stated maturity dates, at the option of the Town, on and after March 1, 2028, either in whole or in part at any time, and if in part, by lot within a maturity, **at the par amount of the Bonds to be redeemed**, plus accrued interest to the date set for redemption.

For Bonds maturing on and after March 1, 2029, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise a maturity of term bonds, and shall be subject to mandatory redemption or mature a par, as described above, in each of the years and in the

principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the term bond maturing in the nearest subsequent year. Bidders may specify no more than three term bonds.

Term bonds, if any, shall be subject to mandatory redemption on March 1 of the year or years immediately prior to the stated maturity of such term bond (the particular Bonds of such maturity to be redeemed to be selected by lot) as indicated in the foregoing maturity schedule at the principal amount thereof plus accrued interest to the redemption date, without premium.

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

Bidding Parameters

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity, (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent or (c) **any coupon in excess of 5.0%. NO BID OF LESS THAN PAR PLUS A PREMIUM OF AT LEAST \$115,000 WILL BE CONSIDERED.**

The current Bond structure does not reflect any premium. The Town reserves the right to change the par amount of the Bonds and restructure the maturity schedule on an equal or declining principal basis within each purpose of the Bonds after determination of the winning bid and the actual amount of the net premium to be received by the Town. **THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE ANNUAL PRINCIPAL AMOUNTS WITHIN THESE LIMITS.** The dollar amount bid for the Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder for the Bonds by local time 4 P.M. on the day of the sale.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Mr. William Jennings, Treasurer, Town of Sandwich, Massachusetts c/o Hilltop Securities Inc., 54 Canal Street, Boston, Massachusetts 02114. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to Hilltop Securities Inc. telephone (617) 619-4400, at least one-half hour prior to the 11:00 A.M. sale and after receipt of the faxed bid form by Hilltop Securities Inc. Hilltop Securities Inc. will act as agent for the bidder, but neither the Town nor Hilltop Securities Inc. shall be responsible for any errors in connection with bids submitted in this manner.
- (b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Board of Selectmen of the Town.

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

The Town of Sandwich has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to S&P Global Ratings for a rating on the Bonds. Any such fee paid to S&P Global Ratings would be borne by the Town.

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

The Bonds will NOT be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord, LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated February 6, 2019, (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of his knowledge and belief, as of its date and the date of sale the Preliminary Official Statement did not, and as of its date and the date of the delivery of the Bonds, the Final Official Statement did not and does not, contain any untrue statement of a material fact and did not and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form appearing as Appendix C of the Preliminary Official Statement.

Establishment of Issue Price

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

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

1. the Town has disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
2. all bidders had an equal opportunity to bid;
3. the Town received bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
4. the Town awarded the sale of the Bonds to the bidder who submitted a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid. Unless a bidder notifies the Town prior to submitting its bid by contacting the Financial Advisor, telephone (617) 619-4400, and affirming in writing via email or facsimile, or in its bid submitted via Parity, that it will NOT be an “underwriter” (as defined below) of the Bonds, by submitting its bid, each bidder shall be deemed to confirm that it has an established industry reputation for underwriting new issuances of municipal bonds. Unless the bidder has notified the Town that it will not be an “underwriter” (as defined below) of the Bonds, in submitting a bid, each bidder is deemed to acknowledge that it is an “underwriter” that intends to reoffer the Bonds to the public.

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

Failure to Meet the Competitive Sale Requirements – Option A – The Successful Bidder Intends to Reoffer the Bonds to the Public and the 10% Test to apply. If the competitive sale requirements are not satisfied and the successful bidder intends to reoffer the Bonds to the public, the Successful Bidder may, at its option, use the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis, of the Bonds. The successful bidder shall advise the Financial Advisor if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds or all of the Bonds are sold to the public, the successful bidder agrees to promptly report to the Financial Advisor the prices at which the unsold Bonds of each maturity have been sold to the public, which reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied for each maturity of the Bonds or until all the Bonds of a maturity have been sold. The successful bidder shall be obligated to report each sale of Bonds to the Financial Advisor until notified in writing by the Town or the Financial Advisor that it no longer needs to do so. If the successful bidder uses Option A the Successful Bidder shall provide to the Town on or before the closing date, the certificate attached to this Notice of Sale as Exhibit 1 – Option A.

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

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

1. “public” means any person other than an underwriter or a related party,
2. “underwriter” means (A) any person that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public), and
3. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

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

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

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

Additional information concerning the Town of Sandwich and the Bonds is contained in the Preliminary Official Statement dated February 6, 2019, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), delivery date, the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from Hilltop Securities Inc., 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 10 copies of the Final Official Statement will be available from Hilltop Securities Inc. to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

The Bonds in definitive form will be delivered to The Depository Trust Company or its custodial agent on or about March 7, 2019 for settlement in federal funds.

TOWN OF SANDWICH, MASSACHUSETTS
/s/ Mr. William Jennings, Treasurer

February 6, 2019

**Issue Price Certificate for Use If the Competitive
Sale Requirements Are Met
\$21,095,000*
Town of Sandwich, Massachusetts
General Obligation Municipal Purpose Loan of 2019 Bonds**

ISSUE PRICE CERTIFICATE AND RECEIPT

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

1. Reasonably Expected Initial Offering Prices.

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

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

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

2. Defined Terms.

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

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

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is February 13, 2019.

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

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

Dated: _____, 2019

Successful Bidder

By: _____

Name:

Title:

*Preliminary, subject to change.

SCHEDULE A
EXPECTED OFFERING PRICES
(To be Attached)

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

**Issue Price Certificate for Use If the Competitive Sale Requirements Are
Not Met and the Hold the Price Rule Is Not Used
\$21,095,000*
Town of Sandwich, Massachusetts
General Obligation Municipal Purpose Loan of 2019 Bonds
ISSUE PRICE CERTIFICATE AND RECEIPT**

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

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

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

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

3. Defined Terms.

- (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (c) *Underwriter* means (i) any person, including the Successful Bidder that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

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

Dated: _____, 2019

SUCCESSFUL BIDDER
By: _____
Name:
Title:

*Preliminary, subject to change.

SALE PRICES
[(Attached)]

Issue Price Certificate for Use If the Competitive Sale Requirements Are Not Met and the Hold the Price Rule Is Used
\$21,095,000*
TOWN OF SANDWICH, MASSACHUSETTS
GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2019 BONDS

DATED MARCH 7, 2019

ISSUE PRICE CERTIFICATE AND RECEIPT

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

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

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

2. For each Maturity of the Bonds as to which no price is listed in Schedule A (the “Unsold Maturities”), as set forth in the Notice of Sale for the Bonds, the [Successful Bidder][Representative] and any other Underwriter did not reoffer the Unsold Maturities to any person at a price that is higher than the initial offering price to the public until the earlier of (i) _____, 2019 or (ii) the date on which the “Successful Bidder][Representative] sold at least 10% of each Unsold Maturity at a price that is no higher than the initial offering price to the Public.

3. Defined Terms.

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

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

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

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

*Preliminary, subject to change.

Dated: _____, 2019

[SUCCESSFUL BIDDER] [REPRESENTATIVE]

By: _____
Name:
Title:

**[SCHEDULE A
SALE PRICES
(To be Attached)]**

OFFICIAL STATEMENT

TOWN OF SANDWICH, MASSACHUSETTS

\$21,095,000* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2019 BONDS

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Sandwich, Massachusetts (the "Town") in connection with the sale of \$21,095,000* stated principal amount of its General Obligation Municipal Purpose Loan of 2019 Bonds (the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another governmental agency or official as the source.

THE BONDS

Description of the Bonds

The Bonds will be dated their date of delivery and will bear interest payable September 1, 2019 and semi-annually thereafter on each March 1 and September 1 until maturity. The Bonds shall mature on March 1 of the years and in the principal amounts as set forth on the first page of this Official Statement.

The Bonds are issuable only in fully registered form registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000, or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

Redemption Provisions

Optional Redemption

Bonds maturing on or prior to March 1, 2028 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after March 1, 2029 shall be subject to redemption prior to maturity, at the option of the Town, on or after March 1, 2028, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed, plus accrued interest to the date set for redemption.

Mandatory Redemption

If the successful bidder designated principal amounts of the Bonds to be combined into one, two or three term bonds (which may be done only for principal amounts in consecutive years and only with respect to Bonds maturing on and after March 1, 2029), each such term bond shall be subject to mandatory redemption commencing on March 1 of the first year which has been combined to form such term bond and continuing on March 1 in each year thereafter until the stated maturity date of that Bond. The amount redeemed or paid at maturity in any year shall be equal to the principal amount for that year set forth in the schedule contained in the Notice of Sale dated February 6, 2019 relating to the Bonds. Principal amounts to be redeemed in any year by mandatory redemption shall be redeemed at par (without premium), plus accrued interest to the redemption date, and shall be selected by lot from among the Bonds then subject to redemption. The Town Treasurer may credit against any mandatory redemption requirement term bonds which have been purchased and cancelled by the Town or have been redeemed and not therefore applied as a credit against any mandatory redemption requirement.

*Preliminary, subject to change.

Notice of Redemption

Notice of any redemption of Bonds, prior to their dates of maturity, specifying the Bonds (or the portions thereof) to be redeemed shall be mailed to DTC or sent in such other manner acceptable to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the Direct Participants of the redemption or failure on the part of DTC's Participants, Indirect Participants or of a nominee of a Beneficial Owner having received notice from a DTC Participant or otherwise to notify the Beneficial Owners shall not affect the validity of the redemption.

Record Date

The record date for each payment of interest is the fifteenth day of the month preceding the interest payment date, however if such date is not a business day, the record date will be the following business day provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

Book-Entry Transfer System

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

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

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

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

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

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

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

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

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

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

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

Authorization of the Bonds and Use of Proceeds

The following sets forth the principal amounts, purposes, amounts originally authorized, dates of Town approval, and statutory authority for the current offering of Bonds:

This Issue*	Purpose	Original Bond Authorization	Bond Anticipation Notes Outstanding	M.G.L. Statutory Reference, Ch.	Dates of Approval
\$ 10,995,000 (1)	Police Department Headquarters/Fire Sub-Station Improvements	\$ 17,015,000 (2)	\$ 9,750,000 (4)	44, s. 7(1)	5/2/2016 & 5/5/2016
6,000,000	Road Improvements	6,000,000 (2)	-	44, s. 7(1)	5/7/2018 & 5/10/2018
2,000,000	Boardwalk Improvements	2,000,000 (2)	-	44, s. 7(1)	5/7/2018 & 5/10/2018
2,100,000	Skate Park & Multi-Purpose Recreation Court Facilities (CPA)	2,100,000 (3)	-	44, s. 7(1) & Ch. 44B	5/7/2018
<u>\$ 21,095,000 *</u>			<u>\$ 9,750,000</u>		

(1) The final pricing will include an extra \$4,867 above this amount, for purposes of resizing the Bonds.

(2) The Town has voted to exempt debt service from the limitations imposed by Proposition 2 ½, so-called.

(3) Self-supporting.

(4) Payable March 8, 2019. To be permanently funded with Bond proceeds.

*Preliminary, subject to change.

Principal Payments by Purpose*

Maturity Year	General (1)*	CPA (2)*	TOTAL*
2020	\$ 920,000	\$ 210,000	\$ 1,130,000
2021	920,000	210,000	1,130,000
2022	920,000	210,000	1,130,000
2023	920,000	210,000	1,130,000
2024	920,000	210,000	1,130,000
2025	920,000	210,000	1,130,000
2026	920,000	210,000	1,130,000
2027	915,000	210,000	1,125,000
2028	915,000	210,000	1,125,000
2029	915,000	210,000	1,125,000
2030	910,000	-	910,000
2031	910,000	-	910,000
2032	910,000	-	910,000
2033	910,000	-	910,000
2034	910,000	-	910,000
2035	380,000	-	380,000
2036	380,000	-	380,000
2037	375,000	-	375,000
2038	375,000	-	375,000
2039	375,000	-	375,000
2040	375,000	-	375,000
2041	375,000	-	375,000
2042	375,000	-	375,000
2043	375,000	-	375,000
2044	375,000	-	375,000
2045	375,000	-	375,000
2046	375,000	-	375,000
2047	375,000	-	375,000
2048	375,000	-	375,000
Totals	\$ 18,995,000	\$ 2,100,000	\$ 21,095,000 *

(1) The Town has voted to exempt debt service from the limitations imposed by Proposition 2 ½, so-called.

(2) Self-supporting.

*Preliminary, subject to change.

Tax Exemption

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

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

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond

Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

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

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

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

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

Risk of Future Legislative Changes and/or Court Decisions

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

For example, H.R. 1, signed into law on December 22, 2017, reduces the corporate tax rate, modifies individual tax rates, eliminates many deductions, and raises the income threshold above which the individual alternative minimum tax is invoked, among other things. These changes may increase, reduce or otherwise change the financial benefits of owning state and local government bonds. Additionally, Bondholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds may be affected and the ability of Bondholders to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Bonds.

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

Security and Remedies

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

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

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

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

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

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

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on “qualified bonds” (See “*Serial Bonds and Notes*” under “INDEBTEDNESS-TYPES OF OBLIGATIONS” below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation

Authority ("MBTA") or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority ("MWRA") if the city or town is within the territory served by the MWRA, for any debt service due on obligations issued to the Massachusetts School Building Authority ("MSBA"), or for charges necessary to meet obligations under the Commonwealth's Clean Water or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

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

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

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

Opinion of Bond Counsel

The purchaser will be furnished the legal opinion of the firm of Locke Lord, LLP, Boston, Massachusetts ("Bond Counsel"). The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

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

Rating

Application has been made to S&P Global Ratings for a rating on the Bonds. Such rating, if obtained, will be printed on the cover of the Final Official Statement and will only reflect the rating agency's views and will be subject to revision or withdrawal, which could affect the market price of the Bonds.

Financial Advisory Services of Hilltop Securities Inc.

Hilltop Securities Inc., Boston, Massachusetts serves as financial advisor to the Town of Sandwich.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain significant events. Other than the Town, there are no other obligated persons with respect to the Bonds within the meaning of the Rule. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and is incorporated by reference in the Bonds.

The Town became obligated to make annual disclosure of certain financial information by filing with Electronic Municipal Market Access (EMMA), a service of the Municipal Securities Rulemaking Board that was designated as the sole nationally recognized municipal securities information repository effective July 1, 2009, in an offering that took place in 2011. In February 2014, S&P upgraded the Town's underlying rating from AA to AA+. Due to an administrative oversight, the material event notice in connection with this rating upgrade was not timely filed with EMMA. Additionally, due to an administrative oversight, certain required financial information was not timely filed with EMMA for the fiscal years ended 2013 and 2015. All missing information has since been filed, as well as corresponding notices of late filing. The Town has implemented procedures to ensure timely filing of all future financial information.

TOWN OF SANDWICH, MASSACHUSETTS

General

The Town of Sandwich, Massachusetts is located in Barnstable County approximately 60 miles south of Boston and occupies a land area of 43.04 square miles. It is bordered on the north by Cape Cod Bay, on the east by the Town of Barnstable, on the south by the Towns of Falmouth and Mashpee and on the west by the Town of Bourne. The oldest town on Cape Cod, Sandwich was incorporated in 1639.

Governing Bodies and Officers

Subject to the legislative decisions made by the open town meeting, the affairs of the Town are generally administered by a board of five selectmen elected for overlapping three year terms, and by a Town Manager appointed by the Board of Selectmen. A three member Board of Assessors elected for overlapping three year terms determines the value of real and personal property upon which local taxes are assessed.

Principal Executive Officers

<u>Office</u>	<u>Name</u>	<u>Selection/Term</u>	<u>Term Exp.</u>
Selectman, Chairman	Susan R. James	Elected	2019
Selectman	Michael J. Miller	Elected	2020
Selectman	David J. Sampson	Elected	2019
Selectman	Shane Hctor	Elected	2021
Selectman	Robert J. George	Elected	2020
Town Manager	George H. Dunham	Appointed	2021
Treasurer/Collector	William Jennings	Appointed/1 yr.	2019
Town Clerk	Taylor D. White	Elected	2019
Finance Director	Marilyn Spahr	Appointed/3 yrs.	2021
Town Counsel	KP Law	Appointed	Indefinite

Municipal Services

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, highway and street maintenance, solid waste disposal, public education in grades K-12 and parks and recreational facilities. Water services are provided to an area encompassing approximately 7,500 acres by the Sandwich Water District and to an area of approximately 44 acres by the North Sagamore Water District. The Cape Cod Regional Transit Authority provides bus service to the Town.

The principal services provided by Barnstable County are space for courts, a jail and house of correction and registry of deeds. Legislation was enacted in 1997 abolishing the county governments of Franklin and Middlesex counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the county in the payment of general obligation notes of the county. The legislation also abolished the county governments of Hampden and Worcester Counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999, and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all the remaining counties.

Economy

Some of Sandwich's earliest industries were those that fulfilled the needs of its settlers such as agriculture, grist and corn mills, sawmills and fishing. In 1825, the Boston and Sandwich Glass Company was established producing, until 1888, beautifully stained glass - Sandwich's most famous and historic product. Today, Sandwich is primarily a residential-resort community with a substantial number of permanent residents.

Education

Public School Enrollments - October 1

	Actual				
	2014	2015	2016	2017	2018
Elementary Schools (K-8)	2,132	2,066	2,017	1,916	1,868
High School (9-12)	<u>742</u>	<u>708</u>	<u>709</u>	<u>669</u>	<u>642</u>
	2,874	2,774	2,726	2,585	2,510

The Town is also a member of the Upper Cape Cod Regional Vocational-Technical School District, operating one school in Bourne. Other member towns include Bourne, Falmouth, Marion and Wareham. Students from the Town of Sandwich represented approximately 17% (116 students) of the 721 students enrolled at the District's facility as of October 1, 2018.

Public School Facilities

	Grades	Date Built	Date of Additions	Capacity	Current Enrollment ⁽¹⁾
Forestdale School	K - 2	1990	--	960	609 ⁽²⁾
Oak Ridge School	3 - 6	1990	--	960	813 ⁽²⁾
Sandwich Academy (S.T.E.M.)	7 - 8 ⁽²⁾		2001	1,475	446 ⁽³⁾
Sandwich Senior High School	9 - 12	1976	2001	1,475	642
				<u>4,495</u>	<u>2,510</u>

(1) As of October 1, 2018.

(2) As of October 1, 2017, grades 7 and 8 were under S.T.E.M.

(3) S.T.E.M. (Science, Technology, Engineering, Mathematics)

Population, Income and Wealth Levels

	<u>Sandwich</u>	<u>Barnstable County</u>	<u>Massachusetts</u>
Median Age			
2009 – 2013 (5 year est.)	43.9	50.4	39.2
2000.....	39.5	44.6	36.5
1990.....	35.4	39.5	33.6
1980.....	33.7	37.7	31.2
Median Family Income			
2009 – 2013 (5 year est..)	\$91,527	\$76,311	\$84,900
1999.....	66,553	54,728	61,664
1989.....	48,150	38,117	44,367
1979.....	22,348	18,314	21,166
Median Household Income			
2009 – 2013 (5 year est..)	\$82,617	\$60,526	\$66,866
1999.....	61,250	45,933	50,502
1989.....	43,500	31,766	36,952
1979.....	20,199	15,553	17,575
Per Capita Income			
2009 – 2013 (5 year est..)	\$34,443	\$36,142	\$35,763
1999.....	26,895	25,318	25,952
1989.....	17,412	16,402	17,224
1979.....	7,955	7,428	7,458

SOURCE: Federal Bureau of the Census.

On the basis of the 2010 Federal Census, the Town has a population density of 465 persons per square mile. The following table sets forth the trend in the year-round population of the Town of Sandwich. The Town estimates its year-round population to be approximately 19,850. (The Town's summer population is estimated to average approximately 45,000.)

Population Trends

<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>
20,675	20,136	15,489	8,727	5,239

Labor Force, Employment and Unemployment Rate

According to the Massachusetts Division of Employment Security preliminary data, in September 2018, the Town had a labor force of 12,114 of which 11,781 were employed and 333 or 2.7% were unemployed as compared with 3.1% for Barnstable County and 3.2% for the Commonwealth (unadjusted). The following table sets forth the Town's average labor force, employment and unemployment rates for each of the five calendar years shown below and the unemployment rates for the County and Commonwealth as a whole for the same period.

Calendar Year	Town of Sandwich			Barnstable County	Massachusetts
	Labor Force	Employment	Unemployment Rate	Unemployment Rate	Unemployment Rate
2017	11,321	10,914	3.6 %	4.7 %	3.7 %
2016	11,198	10,832	3.3	4.9	3.9
2015	11,208	10,698	4.6	6.3	5.0
2014	11,256	10,643	5.4	7.0	5.8
2013	11,088	10,394	6.3	7.6	7.1

SOURCE: Massachusetts Department of Employment and Training. Data based upon place of residence, not place of employment. Monthly data is not adjusted for the Town and County.

Employment and Payrolls

Industry	Calendar Average				
	2017	2016	2015	2014	2013
Construction and Natural Resources	439	425	395	412	352
Manufacturing	50	49	46	45	51
Trade, Transportation and Utilities	998	970	976	1,030	1,032
Financial Activities	191	197	182	177	183
Professional and Business Services	525	527	545	536	508
Education and Health Services	1,930	1,946	1,931	1,792	1,793
Leisure and Hospitality	1,336	1,238	1,104	1,085	1,128
Information and Other Services	249	206	265	219	198
Public Administration	344	347	346	331	298
Total Employment	6,062	5,905	5,790	5,627	5,543
Number of Establishments	671	660	647	630	601
Average Weekly Wages	\$ 826	\$ 821	\$ 796	\$ 764	\$ 745
Total Wages	\$ 260,348,248	\$ 255,425,725	\$ 240,698,665	\$ 223,664,109	\$ 214,616,372

SOURCE: The Massachusetts Department of Education and Training. Data based upon place of employment, not place of residence. Due to the reclassification the U.S. Department of Labor now uses the North American Industry Classification system (NAICS) as the basis for the assignment and tabulation of economic data by industry.

Transportation and Utilities

Principal highways serving the Town include U.S. Route 6 and State Routes 130 and 6A. Established trucking firms provide competitive service locally and to long-distance points. Bus service to Boston, New York, and Providence is available on a regularly scheduled basis. Hyannis Municipal Airport is located within 15 miles. Gas and electric services are provided by established private utilities.

Major Employers

<u>Name</u>	<u>Product/Function</u>	<u>Approximate No. of Employees</u>	
		<u>Year-Round</u>	<u>Seasonal</u>
Rehabilitation Hospital of The Cape and Islands	Hospital	350	350
Stop & Shop	Supermarket	295	350
Daniel Webster Inn & Spa	Restaurant and Inn	150	175
Cape Heritage Nursing & Rehab. Center	Nursing Home	125	125
Mirant Canal, LLC	Power Plant	83	83
Coca Cola Bottling Company of Cape Cod	Manufacturer/Bottling Plant	70	82

Building Permits

The following table sets forth the number of building permits issued and the estimated dollar value for each of the last five calendar years. The estimated dollar values are builders' estimates and are generally considered to be conservative. Permits are filed and estimated valuations are shown for both private construction as well as for Town projects.

Building Permits Issued

<u>Calendar Year</u>	<u>No. of Permits</u>	<u>New Construction</u>	<u>No. of Permits</u>	<u>Additions</u>	<u>No. of Permits</u>	<u>Remodeling/ Renovations</u>	<u>No. of Permits</u>	<u>New Detached</u>	<u>No. of Permits</u>	<u>Totals</u>
2018	18	\$ 7,613,029	28	\$ 3,714,799	655	\$ 13,959,747	-	\$ -	701	\$ 25,287,575
2017	16	15,551,050	21	3,661,313	462	8,215,490	-	-	499	27,427,853
2016	19	6,566,235	22	7,036,904	574	8,487,468	-	-	615	22,090,607
2015	32	11,793,800	46	4,347,300	920	19,038,100	50	1,454,000	1,048	36,633,200
2014	31	7,744,600	47	3,793,800	865	18,858,500	44	1,241,200	987	31,638,100

PROPERTY TAXATION

The principal revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Tax Limitations" below.

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

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

Tax Levy Computation

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

	For Fiscal Year				
	2019	2018	2017	2016	2015
Total Appropriations (1)	\$ 83,061,586	\$ 80,605,889	\$ 78,176,092	\$ 72,899,045	\$ 72,011,353
Additions:					
State and County Assessments	4,777,424	4,267,193	3,996,843	3,802,622	3,574,321
Overlay Reserve	447,935	436,287	361,577	376,945	367,392
Other Additions (2)	1,751,064	619,960	467,807	1,253,380	474,325
Gross Amount to be Raised	<u>90,038,009</u>	<u>85,929,329</u>	<u>83,002,319</u>	<u>78,331,992</u>	<u>76,427,391</u>
Deductions:					
Local Estimated Receipts	12,094,542	11,123,220	10,218,725	8,317,130	8,505,904
State Aid (3)					
Current Year	11,422,137	11,188,292	10,680,295	10,503,257	10,486,706
Available Funds: (4)					
Free Cash	2,485,339	2,721,373	1,763,451	2,016,440	1,309,581
Other	2,221,768	2,047,801	1,816,213	2,174,426	1,532,501
Total Deductions	<u>28,223,786</u>	<u>27,080,686</u>	<u>24,478,684</u>	<u>23,011,253</u>	<u>21,834,692</u>
Net Amount to be Raised (Tax Levy)	<u>\$ 61,814,223</u>	<u>\$ 58,848,643</u>	<u>\$ 58,523,635</u>	<u>\$ 55,320,739</u>	<u>\$ 54,592,699</u>

- (1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting of the tax rate.
- (2) Includes group insurance, county retirement, offsets and other miscellaneous items.
- (3) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold (generally quarterly) payments pending receipt of State and County assessments.
- (4) Transfers from other available funds, including "Free Cash," generally made as an offset to a particular appropriation item.

Valuations and Tax Levies

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

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

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value". See "DEBT LIMITS" below.

Assessed Valuations

Valuation of real and personal property in the Town is established by the Board of Assessors. The following table sets forth the trend in the Town's assessed valuations, tax rates and tax levies for the following fiscal years:

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Rate Per \$1,000 Valuation	Tax Levy
2019	\$ 4,102,814,760	\$ 213,820,900	\$ 4,316,635,660	\$ 14.32	\$ 61,814,223
2018	3,900,979,490	217,190,100	4,118,169,590	14.29	58,848,643
2017	3,723,782,280	196,086,100	3,919,868,380	14.93	58,523,635
2016	3,619,603,600	203,529,700	3,823,133,300	14.47	55,320,739
2015	3,472,383,200	211,334,700	3,683,717,900	14.82	54,592,699

Classification of Property

As illustrated below, the Town's tax base reflects its character as a primarily residential community with a mix of commercial and industrial uses:

Property Type	Fiscal 2017		Fiscal 2018		Fiscal 2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential	\$ 3,455,914,216	88.2 %	\$ 3,622,132,918	88.0 %	\$ 3,808,574,156	88.2 %
Commercial	209,467,366	5.3	218,270,392	5.3	231,238,590	5.4
Industrial	58,400,698	1.5	60,576,180	1.5	63,002,014	1.5
Personal	196,086,100	5.0	217,190,100	5.3	213,820,900	5.0
Total	\$ 3,919,868,380	100.0 %	\$ 4,118,169,590	100.0 %	\$ 4,316,635,660	100.0 %

Source: Board of Assessors.

Largest Taxpayers

The following is a list of the Town's ten largest taxpayers based on assessed valuations for fiscal 2018. All the largest taxpayers are current with their tax payments.

<u>Name</u>	<u>Nature of Business</u>	<u>Fiscal 2018 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Gen On Canal, LLC	Utility	\$ 79,716,900	1.94 %
NSTAR Electric Co	Utility	47,782,400	1.16
Colonial Gas Company	Utility	40,101,100	0.97
Tsakalos Realty Trust	Shopping Center	22,974,100	0.56
Southern Energy Canal LLC	Power Plant	20,283,100	0.49
Sun Peters Pond RV, LLC	RV Park	15,201,900	0.37
DCX Sandwich Leasing LLC	Shopping Center	14,493,900	0.35
Alonguin Gas Transmission	Utility	12,323,800	0.30
Daniel Webster Trust Limited	Hotel	6,213,200	0.15
Comcast Corporation	Cable	5,574,100	0.14
TOTAL		<u>\$ 264,664,500</u>	<u>6.43 %</u>

Source: Board of Assessors.

State Equalized Valuation and Estimated Full Value Tax Rate

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

<u>January 1,</u>	<u>State Equalized Valuation</u>
2018	\$ 4,294,060,900
2016	4,063,013,700
2014	3,811,136,400
2012	3,919,759,300
2010	4,243,968,300

Abatements and Overlay

The Town is authorized by law to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

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

The following table sets forth the amount of overlay reserves, total exemptions and abatements granted and overlay excess in recent fiscal years:

Fiscal Year	Net Tax Levy (1)	Overlay Reserve		Abatements Granted Through June 30, 2018
		Dollar Amount	As a % of Net Levy	
2019	\$ 61,366,288	\$ 447,935	0.73 %	N.A.
2018	58,412,356	436,287	0.75	\$ 305,282
2017	58,162,058	361,577	0.62	228,941
2016	54,943,794	376,945	0.69	265,394
2015	54,225,307	367,392	0.68	308,959
2014	52,505,231	379,463	0.72	285,496

(1) Net of Overlay Reserve.

Tax Collections

The Town has accepted a statute providing for quarterly tax payments; under the statute, preliminary tax payments are to be due on August 1 and November 1 with payment of the actual tax bill (after credit is given for the preliminary payments in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes currently at the rate of 14 percent per annum retroactive one month before the due date. Real property (land and buildings) is subject to a lien for the taxes assessed upon it (subject to any paramount federal lien and subject to a bankruptcy and insolvency laws). If the property has been transferred, an unenforced lien expires on the third October 1 after the fiscal year. If the property has not been transferred by the third October 1, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below. The following table compares the Town's net tax collections with its net (gross tax levy less overlay reserve for abatements) tax levies for the current and each of the last five fiscal years.

The following table shows the total tax levy, the net tax levy and the amount collected for the last five fiscal years:

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Collections During Fiscal Year Payable(1)		Collections as of June 30, 2018	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2019	\$ 61,814,223	\$ 447,935	\$ 61,366,288	N.A.	N.A.	N.A.	N.A.
2018	58,848,643	436,287	58,412,356	\$ 57,654,470	98.7 %	\$ 57,654,470	98.7 %
2017	58,523,635	361,577	58,162,058	57,177,639	98.3	57,177,639	98.3
2016	55,320,739	376,945	54,943,794	53,901,771	98.1	53,901,771	98.1
2015	54,592,699	367,392	54,225,307	53,089,142	97.9	53,089,142	97.9
2014	52,884,694	379,463	52,505,231	51,260,796	97.6	52,075,496	99.2

(1) Actual collections. Does not include abatements, proceeds of tax titles or tax possessions attributable to each levy or other non-cash credits.

Tax Titles and Possessions

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for non-payment of taxes thereon. In either case, the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the land court.

Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of like any land held for municipal purposes. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles (either by purchase at the public sale or by taking), at which time the tax is written off in full by reserving the amount of tax and charging surplus.

<u>Fiscal Year</u>	<u>Total Tax Titles and Possessions</u>
2018	\$ 383,895
2017	383,895
2016	383,895
2015	383,895
2014	382,883

Sale of Tax Receivables

Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk. The Town does not expect to utilize this option at the present time.

Taxation to Meet Deficits

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

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

Cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

Tax Limitations

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

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

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

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

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

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

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

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

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

Unused Levy Capacity (1)

	Fiscal Year				
	2019	2018	2017	2016	2015
Primary Levy Limit (2)	\$ 107,915,892	\$ 102,954,240	\$ 97,996,710	\$ 95,578,332	\$ 92,092,948
Prior Fiscal Year Levy Limit	58,584,945	56,158,926	54,242,318	52,284,061	50,301,208
2.5% Levy Growth	1,464,624	1,403,973	1,356,058	1,307,102	1,257,530
New Growth (3)	595,074	1,022,046	560,550	651,155	725,323
Overrides	-	-	-	-	-
Growth Levy Limit	60,644,643	58,584,945	56,158,926	54,242,318	52,284,061
Debt Exclusions	1,130,429	835,881	918,091	972,661	861,775
Capital Expenditure Exclusions	-	-	1,300,000	-	1,300,000
Other Adjustments	175,557	171,275	164,113	160,110	156,833
Tax Levy Limit	61,950,629	59,592,101	58,541,130	55,375,089	54,602,669
Tax Levy	61,814,223	58,848,643	58,523,635	55,320,739	54,592,699
Unused Levy Capacity (4)	136,406	743,458	17,495	54,350	9,970
Unused Primary Levy Capacity (5)	\$ 47,271,249	\$ 44,369,295	\$ 41,837,784	\$ 41,336,014	\$ 39,808,887

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

(3) Allowed increase for new valuations (or required reduction) - certified by the Department of Revenue.

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

Impact of Proposition 2½

The Town's response to the fiscal constraints imposed by Proposition 2½ has been to vote to exempt a significant portion of its long-term debt from Proposition 2½ and vote operating overrides.

Pledged Taxes

Taxes on certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes (see "TAX INCREMENT FINANCING FOR DEVELOPMENT DISTRICTS" below).

Initiative Petitions

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

Cape Cod Land Bank

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

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

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

Community Preservation Act

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

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value

of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see “Tax Limitations” under “PROPERTY TAXATION” above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

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

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

The following table sets forth the balance in the Town’s Community Preservation Fund for fiscal years 2014 through 2018.

<u>Fiscal Year</u>	<u>Fund Balance</u>
2018	\$ 3,050,167
2017	4,026,173
2016	4,753,920
2015	4,420,021
2014	3,896,097

TOWN FINANCES

The Budget and Appropriation Process

The annual appropriations of the Town are ordinarily made at the annual town meeting, which usually takes place in April. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory, or finance committee. The committee (or the Board of Selectmen if authorized by by-law) is required to submit a budget of proposed expenditures at the annual town meeting.

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

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

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

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

Operating Budget Trends

	Fiscal 2019	Fiscal 2018	Fiscal 2017	Fiscal 2016	Fiscal 2015
General Government	\$ 4,924,371	\$ 4,774,153	\$ 4,791,167	\$ 4,586,153	\$ 3,839,485
Public Safety	9,787,677	9,386,371	8,949,102	8,593,991	7,021,662
Education	35,561,648	34,736,206	33,900,297	32,964,765	33,128,435
Public Services	2,382,732	2,348,508	2,303,065	1,936,317	1,913,432
Human Services	710,203	688,467	664,731	631,341	552,090
Culture & Recreation	1,549,171	1,525,956	1,447,891	1,413,158	1,121,706
Debt Service	2,860,718	2,566,171	6,166,712	4,221,147	3,028,190
Employee Benefits	17,317,992	16,300,319	14,852,082	14,062,347	13,250,217
Miscellaneous (1)	50,000	50,000	50,000	50,000	2,999,025
Totals	\$ 75,144,512	\$ 72,376,151	\$ 73,125,047	\$ 68,459,219	\$ 66,854,242

(1) Beginning in fiscal 2016, interdepartmental transfers and non-general fund debt service were moved from Miscellaneous to other categories.

Education Reform

State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs, and may affect the level of state aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. Since its inception, the Town has funded its school operations above the level mandated by the Act.

Revenues

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

State Aid: In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. The Town's state aid entitlement is based upon a number of different formulas, and while said formulas might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid but actual payments may vary from the estimate.

The following are the state aid payments received over the last five fiscal years:

<u>Fiscal Year</u>	<u>State School Construction Aid</u>	<u>State School Operating Aid</u>	<u>Other State Aid</u>	<u>Total From The State</u>
2018	\$1,279,534	\$6,989,398	\$2,322,906	\$10,591,838
2017	1,279,534	6,902,818	1,902,832	10,085,184
2016	1,279,534	6,740,018	1,985,668	10,005,220
2015	1,279,534	6,665,593	2,080,205	10,025,332
2014	1,405,791	6,588,268	2,711,819	10,705,878

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

State School Building Assistance Program: Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

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

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

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest

on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

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

Motor Vehicle and Boat Excises: An excise is imposed on the registration of motor vehicles (subject to exemptions) at a uniform rate based on a statewide average of property tax rates of \$25 per \$1,000 of valuation. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made for suspension of registration by the registrar of motor vehicles, who may also, after a hearing, suspend the owner's operating license. In addition, Chapter 60B of the General Laws was passed by the State legislature effective for the fiscal year ended June 30, 1980. The act places an excise of \$10 per \$1,000 of valuation on boats of more than 16 feet in length. The Town collected a total of \$3,361,244 in excise taxes for fiscal year 2018.

Room Occupancy Tax: In 1985 the State legislature made available a room occupancy excise tax as an additional source of revenue for municipalities (G.L. Chapter 64G, s. 3A), effective July 1, 1986. Under this tax, local governments may tax the provision of hotel, motel and lodging house and bed and breakfast rooms at a rate not to exceed four percent (4%) of the cost of renting such rooms. The tax is paid by the operator of each establishment to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. The Town has levied the full 4% as permitted under the law. The Town collected a total of \$208,771 in fiscal 2018.

Meals Tax: The Town voted to impose an excise of 0.75% on the sales of restaurant meals originating within the town. This tax became official on July 1, 2014. The Town collected \$408,835 in fiscal 2018.

Annual Audits

The Town's accounts have been audited for fiscal year 2018 by Scappini & Pina, P.C., Certified Public Accountants, of Norwell, Massachusetts, a copy of which is attached hereto as Appendix A.

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

Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheets for the fiscal years ending June 30, 2018, June 30, 2017 and June 30, 2016, and Statements of Revenues, Expenditures and Changes in Fund Balances (Governmental Funds) for fiscal years 2018, 2017, 2016, 2015 and 2014. Said statements have been extracted from audited financial statements.

**Town of Sandwich Massachusetts
Balance Sheet - Governmental Funds
June 30, 2018 (1)**

	General	Public Safety Building Project	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 13,486,133	\$ 8,692,841	\$ 11,812,129	\$ 33,991,103
Investments	-	-	505,723	505,723
Receivables	5,599,249	-	3,702,747	9,301,996
Total Assets	<u>19,085,382</u>	<u>8,692,841</u>	<u>16,020,599</u>	<u>43,798,822</u>
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 19,085,382</u>	<u>\$ 8,692,841</u>	<u>\$ 16,020,599</u>	<u>\$ 43,798,822</u>
<u>LIABILITIES</u>				
Warrants and salaries payable	\$ 4,540,526	\$ -	\$ 671,681	\$ 5,212,207
Amounts Withheld from Employees	260,543	-	-	260,543
Provisions for Refund of Paid Taxes	40,307	-	-	40,307
Bond Anticipation Notes Payable	-	9,750,000	-	9,750,000
Total Liabilities	<u>4,841,376</u>	<u>9,750,000</u>	<u>671,681</u>	<u>15,263,057</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	2,368,656	-	-	2,368,656
Unavailable revenue - excise taxes	386,311	-	-	386,311
Unavailable revenue - other	2,574,884	-	3,702,747	6,277,631
Total Deferred Inflows of Resources	<u>5,329,851</u>	<u>-</u>	<u>3,702,747</u>	<u>9,032,598</u>
<u>FUND BALANCES</u>				
Nonspendable	-	-	302,354	302,354
Restricted	7,108	-	7,847,988	7,855,096
Committed	1,547,819	-	3,540,406	5,088,225
Assigned	3,118,660	-	-	3,118,660
Unassigned	4,240,568	(1,057,159)	(44,577)	3,138,832
Total Fund Balances	<u>\$ 8,914,155</u>	<u>\$ (1,057,159)</u>	<u>\$ 11,646,171</u>	<u>\$ 19,503,167</u>
Total Liabilities, Deferred inflows of Resources and Fund Balances	<u>\$ 19,085,382</u>	<u>\$ 8,692,841</u>	<u>\$ 16,020,599</u>	<u>\$ 43,798,822</u>

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

**Town of Sandwich Massachusetts
Balance Sheet - Governmental Funds
June 30, 2017 (1)**

	General	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 13,951,063	\$ 17,585,884	\$ 31,536,947
Investments	-	1,413,920	1,413,920
Receivables	6,626,989	3,025,286	9,652,275
Total Assets	20,578,052	22,025,090	42,603,142
 Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 20,578,052	\$ 22,025,090	\$ 42,603,142
 <u>LIABILITIES</u>			
Warrants and salaries payable	\$ 4,528,787	\$ 615,769	\$ 5,144,556
Amounts Withheld from Employees	294,455	-	294,455
Provisions for Refund of Paid Taxes	75,851	-	75,851
Bond Anticipation Notes Payable	-	6,015,000	6,015,000
Total Liabilities	4,899,093	6,630,769	11,529,862
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes	2,503,391	-	2,503,391
Unavailable revenue - excise taxes	406,430	-	406,430
Unavailable revenue - other	3,407,280	3,025,286	6,432,566
Total Deferred Inflows of Resources	6,317,101	3,025,286	9,342,387
 <u>FUND BALANCES</u>			
Nonspendable	-	279,126	279,126
Restricted	88,138	9,880,615	9,968,753
Committed	1,850,839	3,487,383	5,338,222
Assigned	4,986,978	-	4,986,978
Unassigned	2,435,903	(1,279,089)	1,156,814
Total Fund Balances	\$ 9,361,858	\$ 12,368,035	\$ 21,729,893
Total Liabilities, Deferred inflows of Resources and Fund Balances	\$ 20,578,052	\$ 22,024,090	\$ 42,602,142

(1) Extracted from audited financial statements.

Town of Sandwich Massachusetts
Balance Sheet - Governmental Funds
June 30, 2016 (1)

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 12,253,925	\$ 13,319,370	\$ 25,573,295
Investments	-	1,387,802	1,387,802
Receivables	7,649,162	2,786,935	10,436,097
Total Assets	<u>19,903,087</u>	<u>17,494,107</u>	<u>37,397,194</u>
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 19,903,087</u>	<u>\$ 17,494,107</u>	<u>\$ 37,397,194</u>
<u>LIABILITIES</u>			
Warrants and salaries payable	\$ 4,402,881	\$ 703,964	\$ 5,106,845
Amounts Withheld from Employees	222,543	-	222,543
Provisions for Refund of Paid Taxes	97,443	-	97,443
Bond Anticipation Notes Payable	-	3,225,000	3,225,000
Total Liabilities	<u>4,722,867</u>	<u>3,928,964</u>	<u>8,651,831</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes	2,627,782	-	2,627,782
Unavailable revenue - excise taxes	479,698	-	479,698
Unavailable revenue - other	4,228,799	2,786,935	7,015,734
Total Deferred Inflows of Resources	<u>7,336,279</u>	<u>2,786,935</u>	<u>10,123,214</u>
<u>FUND BALANCES</u>			
Nonspendable	-	279,126	279,126
Restricted	-	13,238,225	13,238,225
Committed	1,369,413	-	1,369,413
Assigned	4,093,232	-	4,093,232
Unassigned	2,381,296	(2,739,143)	(357,847)
Total Fund Balances	<u>\$ 7,843,941</u>	<u>\$ 10,778,208</u>	<u>\$ 18,622,149</u>
Total Liabilities, Deferred inflows of Resources and Fund Balances	<u>\$ 19,903,087</u>	<u>\$ 17,494,107</u>	<u>\$ 37,397,194</u>

(1) Extracted from audited financial statements.

Town of Sandwich Massachusetts
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
As of June 30, 2018 (1)

	General Fund	Public Safety Building Project	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Real Estate and personal property taxes	\$ 58,612,675	\$ -	\$ 1,671,809	\$ 60,284,484
Motor vehicle and other excises	3,578,478	-	57,235	3,635,713
Penalties and interest	403,816	-	-	403,816
License and permits	624,002	-	313,368	937,370
Charges for services	-	-	4,780,970	4,780,970
Fines and forfeitures	161,618	-	484,665	646,283
Investment income	182,372	-	15,617	197,989
Contributions and donations	-	-	718,212	718,212
Departmental and other	531,810	-	785,071	1,316,881
Intergovernmental	17,763,621	-	4,610,412	22,374,033
Total Revenues	<u>\$ 81,858,392</u>	<u>\$ -</u>	<u>\$ 13,437,359</u>	<u>\$ 95,295,751</u>
Expenditures:				
Current:				
General government	\$ 16,617,824	\$ -	\$ 789,544	\$ 17,407,368
Public safety	10,081,633	5,825,406	544,824	16,451,863
Education	41,808,676	-	4,550,380	46,359,056
Public works	2,924,147	-	1,567,013	4,491,160
Health and human services	675,138	-	95,325	770,463
Culture and recreation	1,477,125	-	3,926,534	5,403,659
State and county assessments	7,925,276	-	-	7,925,276
Debt service:				
Principal payback	2,200,829	-	1,230,000	3,430,829
Interest expense	446,830	-	232,807	679,637
Total Expenditures	<u>\$ 84,157,478</u>	<u>\$ 5,825,406</u>	<u>\$ 12,936,427</u>	<u>\$ 102,919,311</u>
Excess (Deficiency) of Revenues				-
Over (Under) Expenditures	(2,299,086)	(5,825,406)	500,932	(7,623,560)
Other financing sources (uses):				
Proceeds from issuance of debt	-	5,880,000	-	5,880,000
Bond premiums received	-	135,132	-	135,132
Transfers in	1,951,383	-	-	1,951,383
Transfers out	(100,000)	-	(2,470,681)	(2,570,681)
Total other financing sources (uses)	<u>1,851,383</u>	<u>6,015,132</u>	<u>(2,470,681)</u>	<u>5,395,834</u>
Net Change in Fund Balances	(447,703)	189,726	(1,969,749)	(2,227,726)
Fund balance, beginning of year	9,361,858	(1,246,885)	13,615,920	21,730,893
Fund balance, end of year	<u>\$ 8,914,155</u>	<u>\$ (1,057,159)</u>	<u>\$ 11,646,171</u>	<u>\$ 19,503,167</u>

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

Town of Sandwich Massachusetts
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
As of June 30, 2017 (1)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Real Estate and personal property taxes	\$ 58,317,417	\$ 1,666,298	\$ 59,983,715
Motor vehicle and other excises	3,574,524	45,964	3,620,488
Penalties and interest	404,310	-	404,310
License and permits	619,373	360,156	979,529
Charges for services	-	6,271,123	6,271,123
Fines and forfeitures	139,228	328,664	467,892
Investment income	60,337	57,957	118,294
Contributions and donations	-	924,838	924,838
Departmental and other	578,908	717,966	1,296,874
Intergovernmental	13,550,745	5,063,610	18,614,355
Total Revenues	<u>\$ 77,244,842</u>	<u>\$ 15,436,576</u>	<u>\$ 92,681,418</u>
Expenditures:			
Current:			
General government	\$ 15,331,254	\$ 954,669	\$ 16,285,923
Public safety	9,695,639	1,515,565	11,211,204
Education	37,455,269	4,729,533	42,184,802
Public works	3,079,468	2,112,293	5,191,761
Health and human services	674,760	95,625	770,385
Culture and recreation	1,627,555	4,995,229	6,622,784
State and county assessments	7,125,704	-	7,125,704
Debt service:			-
Principal payback	3,335,829	-	3,335,829
Interest expense	697,436	-	697,436
Total Expenditures	<u>\$ 79,022,914</u>	<u>\$ 14,402,914</u>	<u>\$ 93,425,828</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,778,072)	1,033,662	(744,410)
Other financing sources (uses):			
Proceeds from issuance of debt	-	3,850,000	3,850,000
BAN premiums received	88,138	-	88,138
Transfer in	3,307,851	15,016	3,322,867
Transfers out	(100,000)	(3,307,851)	(3,407,851)
Total other financing sources (uses)	<u>3,295,989</u>	<u>557,165</u>	<u>3,853,154</u>
Net Change in Fund Balances	1,517,917	1,590,827	3,108,744
Fund balance, beginning of year	7,843,941	10,778,208	18,622,149
Fund balance, end of year	<u>\$ 9,361,858</u>	<u>\$ 12,369,035</u>	<u>\$ 21,730,893</u>

(1) Extracted from audited financial statements.

Town of Sandwich Massachusetts
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
As of June 30, 2016 (1)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Real Estate and personal property taxes	\$ 55,263,153	\$ 1,570,553	\$ 56,833,706
Motor vehicle and other excises	3,295,257	54,411	3,349,668
Penalties and interest	503,963	-	503,963
License and permits	635,517	362,036	997,553
Charges for services	-	6,388,440	6,388,440
Fines and forfeitures	139,963	334,990	474,953
Investment income	46,153	88,228	134,381
Contributions and donations	-	602,820	602,820
Departmental and other	495,100	697,804	1,192,904
Intergovernmental	13,255,764	7,389,531	20,645,295
Total Revenues	<u>\$ 73,634,870</u>	<u>\$ 17,488,813</u>	<u>\$ 91,123,683</u>
Expenditures:			
Current:			
General government	\$ 14,258,348	\$ 4,045,240	\$ 18,303,588
Public safety	8,986,259	403,461	9,389,720
Education	36,717,647	5,089,307	41,806,954
Public works	3,270,855	2,640,162	5,911,017
Health and human services	701,905	108,521	810,426
Culture and recreation	1,449,689	4,911,420	6,361,109
State and county assessments	6,946,053	-	6,946,053
Debt service:			
Principal payback	3,327,189	-	3,327,189
Interest expense	794,866	-	794,866
Total Expenditures	<u>\$ 76,452,811</u>	<u>\$ 17,198,111</u>	<u>\$ 93,650,922</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,817,941)	290,702	(2,527,239)
Other financing sources (uses):			
Bond premiums received	288,805	-	288,805
Transfer in	3,268,345	-	3,268,345
Transfers out	(100,000)	(3,268,345)	(3,368,345)
Total other financing sources (uses)	<u>3,457,150</u>	<u>(3,268,345)</u>	<u>188,805</u>
Net Change in Fund Balances	639,209	(2,977,643)	(2,338,434)
Fund balance, beginning of year	7,204,732	13,755,851	20,960,583
Fund balance, end of year	<u>\$ 7,843,941</u>	<u>\$ 10,778,208</u>	<u>\$ 18,622,149</u>

(1) Extracted from audited financial statements.

Town of Sandwich Massachusetts
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
As of June 30, 2015 (1)

	General Fund	CPA Fund	CPF School Construction	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 54,146,275	\$ 1,530,785	\$ -	\$ -	\$ 55,677,060
Excise taxes	3,169,773	-	-	25,952	3,195,725
Licenses and permits	493,708	-	-	265,067	758,775
Penalties and interest	481,455	-	-	-	481,455
Investment earnings	33,536	10,389	-	46,232	90,157
Charges for services	-	-	-	3,612,000	3,612,000
Fees and fines	164,299	-	-	-	164,299
Departmental and other	535,030	-	-	4,679,883	5,214,913
Intergovernmental	13,695,511	507,334	-	3,593,679	17,796,524
Total Revenues	<u>\$ 72,719,587</u>	<u>\$ 2,048,508</u>	<u>\$ -</u>	<u>\$ 12,222,813</u>	<u>\$ 86,990,908</u>
Expenditures:					
Current:					
General government	\$ 16,598,017	\$ -	\$ -	\$ 522,594	\$ 17,120,611
Public safety	8,244,485	-	-	295,733	8,540,218
Education	38,049,118	-	1,193,260	5,050,496	44,292,874
Public works	2,925,853	-	-	843,866	3,769,719
Health and sanitation	571,084	-	-	88,916	660,000
Culture and recreation	1,864,538	362,970	-	4,304,490	6,531,998
State and county assessments	3,595,860	-	-	-	3,595,860
Debt service:					
Principal	3,055,354	-	-	-	3,055,354
Interest and other charges	719,587	-	-	-	719,587
Total Expenditures	<u>\$ 75,623,896</u>	<u>\$ 362,970</u>	<u>\$ 1,193,260</u>	<u>\$ 11,106,095</u>	<u>\$ 88,286,221</u>
Revenues over (under) expenditures	(2,904,309)	1,685,538	(1,193,260)	1,116,718	(1,295,313)
Other financing sources (uses):					
Proceeds from bonds	-	-	3,811,366	1,000,000	4,811,366
Transfer in from other funds	2,717,758	-	-	250,000	2,967,758
Transfer out to other funds	(250,000)	(1,161,614)	(55,000)	(1,563,614)	(3,030,228)
Total other financing sources (uses)	<u>2,467,758</u>	<u>(1,161,614)</u>	<u>3,756,366</u>	<u>(313,614)</u>	<u>4,748,896</u>
Revenues and Other Financing Sources Over (Under) Expenditures and other Financing Uses	(436,551)	523,924	2,563,106	803,104	3,453,583
Fund balance, beginning of year	7,641,283	3,896,097	(2,456,366)	8,425,986	17,507,000
Fund balance, end of year	<u>\$ 7,204,732</u>	<u>\$ 4,420,021</u>	<u>\$ 106,740</u>	<u>\$ 9,229,090</u>	<u>\$ 20,960,583</u>

(1) Extracted from audited financial statements.

Town of Sandwich Massachusetts
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
As of June 30, 2014 (1)

	General	CPA Fund	CPF School Construction	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 52,686,638	\$ 1,480,514	\$ -	\$ -	\$ 54,167,152
Excise taxes	3,010,107	-	-	31,167	3,041,274
Licenses and permits	522,679	-	-	262,982	785,661
Penalties and interest	461,717	-	-	-	461,717
Investment earnings	31,390	8,719	-	138,893	179,002
Charges for services	-	-	-	4,350,759	4,350,759
Fees and fines	169,916	-	-	-	169,916
Departmental and other	600,670	-	-	3,198,508	3,799,178
Intergovernmental	15,524,160	795,548	94,321	5,322,779	21,736,808
Total Revenues	<u>\$ 73,007,277</u>	<u>\$ 2,284,781</u>	<u>\$ 94,321</u>	<u>\$ 13,305,088</u>	<u>\$ 88,691,467</u>
Expenditures:					
Current:					
General government	\$ 16,649,164	\$ -	\$ -	\$ 476,599	\$ 17,125,763
Public safety	8,095,020	-	-	524,471	8,619,491
Education	37,525,515	-	64,738	5,174,305	42,764,558
Public works	2,019,280	-	-	2,848,228	4,867,508
Health and sanitation	549,563	-	-	72,624	622,187
Culture and recreation	1,325,240	602,560	-	2,558,848	4,486,648
State and county assessments	3,279,069	-	-	-	3,279,069
Debt service:					
Principal	3,165,354	-	-	-	3,165,354
Interest and other charges	731,253	-	-	-	731,253
Total Expenditures	<u>\$ 73,339,458</u>	<u>\$ 602,560</u>	<u>\$ 64,738</u>	<u>\$ 11,655,075</u>	<u>\$ 85,661,831</u>
Revenues over (under) expenditures	(332,181)	1,682,221	29,583	1,650,013	3,029,636
Other financing sources (uses):					
Transfer in from other funds	2,553,227	-	-	507,758	3,060,985
Transfer out to other funds	(507,758)	(1,205,469)	-	(1,347,758)	(3,060,985)
Total other financing sources (uses)	<u>2,045,469</u>	<u>(1,205,469)</u>	<u>-</u>	<u>(840,000)</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures and other Financing Uses	1,713,288	476,752	29,583	810,013	3,029,636
Fund balance, beginning of year	5,927,995	3,419,345	(2,485,949)	7,615,973	14,477,364
Fund balance, end of year	<u>\$ 7,641,283</u>	<u>\$ 3,896,097</u>	<u>\$ (2,456,366)</u>	<u>\$ 8,425,986</u>	<u>\$ 17,507,000</u>

(1) Extracted from audited financial statements.

Unassigned General Fund Balances and Free Cash

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

The following table sets forth the trend in the Town's unassigned general fund balances and free cash:

<u>Year</u>	Unassigned General Fund Balance for the Fiscal Year Ended as of June 30 (1)	Free Cash For Fiscal Year Beginning July 1
2018	\$4,240,568	\$2,348,426
2017	2,435,903	2,485,339
2016	2,381,296	2,721,373
2015	2,884,633	1,763,451
2014	3,438,083	2,016,440

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

Stabilization Fund

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

<u>Year</u>	<u>Stabilization Fund Balance</u>
2018	\$1,598,030
2017	1,335,184
2016	1,229,330
2015	1,024,370
2014	1,020,463

The Town maintains enterprise funds for golf, landfill and marina purposes. Following are historical trends of the enterprise fund balances.

Golf Enterprise Fund

<u>Year</u>	<u>Fund Balance</u>
2018	\$337,316
2017	493,922
2016	509,958
2015	491,477
2014	453,518

Landfill Enterprise Fund

<u>Year</u>	<u>Fund Balance</u>
2018	\$410,558
2017	757,647
2016	906,871
2015	1,180,634
2014	1,246,568

Marina Enterprise Fund

<u>Year</u>	<u>Fund Balance</u>
2018	\$543,753
2017	534,297

Tax Increment Financing for Development Districts

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

The Town has no such districts.

Investment of Town Funds

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

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

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

Pension funds are under the jurisdiction of the Town of Sandwich Employee's Retirement System. Details regarding the retirement system are discussed in Appendix A. See also "Retirement Systems" below.

INDEBTEDNESS

Authorization of General Obligation Bonds and Notes

Serial bonds and notes are authorized by vote of two-thirds of the town meeting. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Refunding bonds and notes are authorized by the selectmen. Borrowings for some purposes require State administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue serial bonds or notes. Revenue anticipation notes and temporary notes in anticipation of authorized federal and state aid generally may be issued by the Treasurer with the approval of the Selectmen.

Debt Limits

General Debt Limit. The General Debt Limit of the Town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without state approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the state Municipal Finance Oversight Board ("MFOB") consisting of the Attorney General, the State Treasurer, the State Auditor, and the Director of Accounts.

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

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

Types of Obligations

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

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

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

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

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

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

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

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities and for projects financed under the Commonwealth's Clean Water or Drinking Water Revolving Loan Programs and for certain economic development projects supported by the increment financings. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy.

**Direct Debt Summary (1)
As of June 30, 2018**

Outstanding as of 6/30/18:		
School (2)	\$ 6,290,000	
General (3)	13,980,000	
MCWT (4)	92,707	
Land Acquisition (5)	5,670,000	
Total Long-Term Indebtedness:		\$ 26,032,707
This Issue of Bonds Dated March 7, 2019		21,095,000 *
Short-Term Indebtedness:		
Bond Anticipation Notes Outstanding (6)	9,750,000	
To be Retired with This Issue of Bonds Proceeds	(9,750,000)	
Total Short-Term Indebtedness after This Issue		-
Total Direct Debt After This Issue:		\$ 47,127,707

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

(2) Subject to the Town's debt limit. \$5,260,000 has been excluded from Proposition 2 ½.

(3) Subject to the Town's debt limit. \$6,185,000 has been excluded from Proposition 2 ½.

(4) Not subject to the Town's debt limit and excluded from Proposition 2 ½.

(5) \$4,015,000 is not subject to the Town's debt limit. \$1,040,000 has been excluded from Proposition 2 ½.

(6) Payable March 8, 2019. To be retired with Bond proceeds.

*Preliminary, subject to change.

Key Debt Ratios

The following table sets forth the ratio of debt to equalized valuation and per capita debt ratios at the end of the five most recent fiscal years. The table considers the principal amount of general obligation bonds of the Town of Sandwich only. The table does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole, or part, by non-tax revenues. (See "Direct Debt Summary.")

Fiscal Year End	General Obligation Bonds Outstanding	Population ⁽¹⁾	Equalized Valuation ⁽²⁾	Per Capita Debt	Ratio Debt to Equalized Valuation
2018	\$26,032,707	20,675	\$4,063,013,700	\$1,259.14	0.64%
2017	23,688,536	20,675	4,063,013,700	1,131.25	0.57
2016	22,874,364	20,675	3,811,136,400	1,106.42	0.60
2015	26,501,553	20,675	3,811,136,400	1,281.81	0.70
2014	24,745,547	20,675	3,919,759,300	1,196.88	0.63

(1) Based on 2010 Federal Census.

(2) 2016 Equalized Valuation is used for fiscal years 2017 and 2018; 2014 Equalized Valuation is used for fiscal years 2015 and 2016; 2012 Equalized Valuation is used for fiscal year 2014.

Principal Payments by Purpose (1) As of June 30, 2018

Fiscal Year	School (2)	General (3)	MCWT (4)	Land Acquisition (5)	Total
2019	\$ 1,295,000	\$ 1,520,000	\$ 20,829	\$ 835,000	\$ 3,670,829
2020	1,260,000	1,525,000	20,829	825,000	3,630,829
2021	1,220,000	1,215,000	21,050	520,000	2,976,050
2022	210,000	1,205,000	10,000	505,000	1,930,000
2023	210,000	890,000	10,000	510,000	1,620,000
2024	210,000	550,000	5,000	320,000	1,085,000
2025	210,000	565,000	5,000	320,000	1,100,000
2026	210,000	565,000	-	345,000	1,120,000
2027	210,000	575,000	-	355,000	1,140,000
2028	210,000	580,000	-	365,000	1,155,000
2029	210,000	590,000	-	375,000	1,175,000
2030	210,000	595,000	-	395,000	1,200,000
2031	125,000	540,000	-	-	665,000
2032	125,000	425,000	-	-	550,000
2033	125,000	430,000	-	-	555,000
2034	125,000	440,000	-	-	565,000
2035	125,000	450,000	-	-	575,000
2036	-	460,000	-	-	460,000
2037	-	470,000	-	-	470,000
2038	-	390,000	-	-	390,000
Total	\$ 6,290,000	\$ 13,980,000	\$ 92,707	\$ 5,670,000	\$ 26,032,707

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

(2) Subject to the Town's debt limit. \$5,260,000 has been excluded from Proposition 2 ½.

(3) Subject to the Town's debt limit. \$6,185,000 has been excluded from Proposition 2 ½.

(4) Not subject to the Town's debt limit and excluded from Proposition 2 ½.

(5) \$4,015,000 is not subject to the Town's debt limit. \$1,040,000 has been excluded from Proposition 2 ½.

Authorized Unissued Debt and Prospective Financing

Following delivery of the Bonds, the Town will have \$12,476,017 in authorized unissued debt consisting of \$6,500,000 for the construction of a waste water treatment plant subject to approval for state and federal aid; \$940,000 for land acquisition; \$20,236 for road betterments; \$1,850,000 for housing authority bonds, \$1,665,780 for school roof repairs, \$500,000 for improvements to a marina building and \$1,000,000 for Town Neck Beach renourishment.

Overlapping Debt (1)

The Town of Sandwich is in Barnstable County, is a member of the Upper Cape Cod Regional Vocational Technical School District and a member of the Cape Cod Regional Transit Authority.

The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue of Barnstable County, the Upper Cape Cod Regional Vocational Technical School District and the Cape Cod Regional Transit Authority as of June 30, 2018 and Sandwich's gross share of such debt and the fiscal dollar assessment for each.

	Outstanding Bonded Debt As of June 30, 2018	Sandwich Estimated Share	FY 2018 Assessment for Operations & Debt Service (2)
Barnstable County (3)	\$ 25,037,523	4.90%	\$ 153,817
Upper Cape Cod Regional Technical School District (4)	-	17.95	2,157,422
Cape Cod Regional Transit Authority (5)	-	6.02	135,486
Cape Cod Commission (6)	-	4.90	177,209

- (1) Does not include Sandwich Water District.
- (2) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service for fiscal 2018.
- (3) SOURCE: Barnstable County Treasurer. County expenses including debt service on county bonds are assessed upon the cities and towns within the county in proportion to their taxable valuation as last equalized by the State Commissioner of Revenue. Estimated share and dollar assessment shown here are based on the 2016 equalized valuation. Includes Environmental Protection Fund Tax. (See Municipal Services above for information on abolishment of counties.)
- (4) SOURCE: Upper Cape Cod Regional Vocation-Technical School District. Sandwich's share of the capital budget is \$82,868 or 24.8%. Towns may organize regional school districts to carry out general or specialized educational functions. Pursuant to special laws a number of cities may also participate in regional school districts, primarily for vocational education. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts. The five members of the District are Sandwich, Bourne, Falmouth, Marion and Wareham.
- (5) SOURCE: Cape Cod Regional Transit Authority. The municipal share is based on a percentage furnished by the Cape Cod Regional Transit Authority as that used in the most recent assessment of aggregate net cost of service of the Transit Authority, including debt service and net operating expenses, although assessments for various categories of service are separately calculated by different formulae. Shares vary from year to year. It has been state practice in recent years to absorb up to approximately 50 percent of the net cost of service of the Authority, including debt service on the Authority's bonds. The remainder of the net cost of service is assessed on the member municipalities within the territory of the Cape Cod Regional Transit Authority.
- (6) SOURCE: Barnstable County Treasurer. Environmental Protection Fund.

Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. A Massachusetts city or town general has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but in most cases only when funds are available for the first fiscal year; obligations for succeeding fiscal years are generally expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases for long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies. Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

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

The Town has one contract of significance. Sandwich has entered into a contract for solid waste disposal services with SEMASS, a resource recovery facility in the Town of Rochester, Massachusetts. The cost of the SEMASS contract in fiscal 2018 was \$257,653. The Town has budgeted \$250,000 for this purpose for fiscal 2019. The contract expires on January 1, 2026, with a five year option and a 2 ½ percent escalating cost per year.

Sandwich began shipping waste to the facility in September 1989.

North Sagamore Water District

The North Sagamore Water District assesses taxes upon the property in less than 1% of the total area in the Town of Sandwich. The remainder of the District's territory is located in the Town of Bourne. Except to the extent met from betterment assessments or user charges, the District's debt service is ordinarily assessed, along with operating expenses on the taxable property within the District. As of June 30, 2018, the total outstanding permanent debt of the District was \$845,556. It is estimated at present that approximately 18% of the debt service on District bonds is attributable to property located in Sandwich.

Sandwich Water District

The Sandwich Water District was established by Chapter 280 of the Acts of 1947 (the "Act"). The District comprises 78% of the area within the Town of Sandwich, Massachusetts and provides approximately 60% of the residents in its area with water for the extinguishment of fires and domestic and other purposes. The District is administered by a three member Board of Water Commissioners elected annually for staggered three-year terms. The District also elects a clerk and a treasurer who shall not be a water commissioner. The water commissioners fix prices and rates for the use of water, and prescribe the time and manner of payment. The income of the water works, together with revenue from property taxes, is appropriated to defray operating expenses, interest charges and payments on the principal as they shall accrue on any bonds or notes issued under the Act and amendments or supplements thereto.

The District has 10 pumping stations with a rated capacity of 6,500 gallons per minute from 10 gravel-packed wells, 3 concrete 2,000,000 gallon storage tanks, 2 steel 2,000,000 gallon storage tanks, 6,886 water connections, 1,318 hydrants, 161 miles of mains, 384 acres of watershed. During calendar year 2015 the District pumped a total of approximately 671,190,000 gallons of water. New water service connections installed in calendar year 2015 totaled 20.

As of June 30, 2018, the District had no permanent debt.

RETIREMENT SYSTEMS

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

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

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

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

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

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

Calendar Year	Town Contribution (1)
2019 (budgeted)	\$3,842,992
2018	3,626,159
2017	3,355,082
2016	3,147,347
2015	2,986,747
2014	2,976,640

As of January 1, 2018, the total pension liability of the Barnstable County Retirement System was calculated to be \$1,783,937,286 and the actuarial value of the assets was \$1,061,514,465, leaving an estimated net pension liability of \$722,422,821. Based on the current data, the System is 59.50% funded with an assumed rate of return of 7.375%. The Town's share of the net pension liability is \$41,345,467.

The Retirement System's current funding schedule amortizes its unfunded pension liability through fiscal 2038 as shown below.

Barnstable County Retirement System Funding Schedule (As of January 1, 2018)

Fiscal Year Ending	(2) Employer Normal Cost	(3) Amortization of ERI (2002) Liability	(4) Amortization of ERI (2003) Liability	(5) Amortization of ERI (2010) Liability	(6) Amortization Of Remaining Liability	(7)	(8)	(9) Total Amortization (7)+(8)	(10) Total UAL at Beginning of Fiscal Year	(11) Increase Over Prior Appropriation
						Plan Cost Without Retired Country Sheriff Liability (2)+(3)+(4)+(5)+(6)	Amortization of Retired County Sheriff Liability			
2019	\$ 16,337,763	\$ 471,957	\$ 222,050	\$ 261,648	\$ 44,712,255	\$ 62,005,673	\$ 1,506,576	\$ 63,512,249	\$ 748,588,317	5.28
2020	16,936,108	490,835	230,932	261,648	47,344,752	65,264,275	1,601,421	66,865,696	745,013,294	5.28
2021	17,556,192	510,468	240,170	261,648	50,125,417	68,693,895	1,702,310	70,396,205	739,794,723	5.28
2022	18,198,801	530,887	249,776	261,647	53,062,458	72,303,569	1,809,556	74,113,125	732,441,270	5.28
2023	18,864,748	552,122	259,767	-	56,426,103	76,102,740	1,923,558	78,026,298	722,445,271	5.28
2024	19,554,873	574,207	270,158	-	59,702,107	80,101,345	2,044,742	82,146,087	709,277,871	5.28
2025	20,270,050	597,176	280,965	-	63,161,648	84,309,839	2,173,561	86,483,400	692,382,504	5.28
2026	21,011,183	621,063	292,203	-	66,814,780	88,739,229	2,310,495	91,049,724	671,169,820	5.28
2027	21,779,206	645,905	303,891	-	70,672,090	93,401,092	2,456,057	95,857,149	645,012,047	5.28
2028	22,575,089	671,741	316,047	-	74,744,741	98,307,618	2,610,788	100,918,406	613,236,977	5.28
2029	23,399,837	698,611	328,689	-	79,044,493	103,471,630	2,775,268	106,246,898	575,122,338	5.28
2030	24,254,490	726,555	341,836	-	83,583,743	108,906,624	2,950,110	111,856,734	476,698,444	5.28
2031	25,140,125	755,618	355,510	-	88,375,550	114,626,803	3,135,967	117,762,770	419,450,562	5.28
2032	26,057,858	785,842	369,730	-	93,433,682	120,647,112	3,333,532	123,980,644	352,685,042	5.28
2033	27,008,845	817,276	384,519	-	98,772,637	126,983,277	3,543,545	130,526,822	275,404,881	5.28
2034	27,994,284	849,967	399,900	-	104,407,699	133,651,850	3,766,788	137,418,638	186,523,403	5.28
2035	29,015,415	883,954	415,895	-	81,075,868	111,391,132	4,004,096	115,395,228	84,856,765	(16.03)
2036	30,073,524	-	-	-	-	30,073,524	-	30,073,524	-	(73.94)
2037	31,169,940	-	-	-	-	31,169,940	-	31,169,940	-	3.65
2038	32,306,042	-	-	-	-	32,306,042	-	32,306,042	-	3.64

Source: January 1, 2018 Barnstable County Retirement System Actuarial Valuation. The Segal Group, Inc.

Other Post-Employment Benefits ('OPEB')

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

Fiscal Year	Pay-as-you-go Benefit Costs
2018	\$ 2,635,550
2017	2,401,797
2016	2,145,998
2015	2,001,237
2014	1,924,661

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

The Town implemented the GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town participated in a GASB 45 Actuarial Services Project to be performed by the Segal Company for the Barnstable County Retirement Association. The net OPEB liability by the Town of Sandwich as of June 30, 2018, the most recent actuarial valuation, was estimated at \$99,861,997 on a pay-as-you-go basis (3.87% rate). This would require an annual contribution by the Town of \$5,060,177 on a pay-as-you-go basis.

The Town voted to accept the provisions of M.G.L. c.32B, §20 to establish an Other Post-Employment Benefits Liability Trust Fund at the May 3, 2010 Annual Town Meeting. The OPEB Trust Fund Balance as of June 30, 2018 was \$342,261.

EMPLOYEE RELATIONS

The Town employs approximately 621 full-time workers, of whom 49 are employed by the fire department, 42 by the police department, 19 by the department of public works, 432 by the school department, and the balance of persons by various other departments of the Town. Town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment. Of the full-time employees of the Town, 477 are represented by unions. Union contracts expire as follows:

Department	No. of Employees	Expiration of Contract
Fire	30	June 30, 2019
Police	28	June 30, 2019
Department of Public Works & Clerical	33	June 30, 2019
School (teachers)	224	August 31, 2021
School (administrators)	6	June 30, 2020
School (education support personnel)	82	August 31, 2019
School (secretarial/clerical)	21	June 30, 2020
School (custodians)	22	June 30, 2019
School (transportation)	15	August 31, 2019
Fire Alarm Operator	13	June 30, 2019
Dispatch	8	June 30, 2019

LITIGATION

At present there are several cases pending in various courts throughout the Commonwealth where the Town is a defendant. In the opinion of the Town Counsel there is no litigation, either pending or threatened, which is likely to result, either individually or in the aggregate, in final judgment against the Town that would materially affect its financial position.

TOWN OF SANDWICH, MASSACHUSETTS
/s/ William Jennings, Treasurer

February 6, 2019

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Town of Sandwich, Massachusetts
BASIC FINANCIAL STATEMENTS AND MANAGEMENT DISCUSSION AND ANALYSIS WITH INDEPENDENT
AUDITORS' REPORT FOR THE YEAR ENDED JUNE 30, 2018

TOWN OF SANDWICH, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Sandwich, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sandwich, Massachusetts (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Scappini & Pina, P.C.

Norwell, Massachusetts

January 28, 2019

Management's Discussion and Analysis

As the management of the Town of Sandwich, Massachusetts (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources by \$18.6 million (*total net position*) at June 30, 2018.
- In 2018, the Town was required to implement GASB Statement #75, the Town recognized their total net other postemployment benefits liability of \$93.0 million along with deferred inflows related to OPEB of \$8.6 million on the statement of net position.
- The Town reports a deficit of \$127 million in unrestricted net position at June 30, 2018. The deficit is primarily due to the implementation of GASB #68 and #75 which requires liabilities related to pension and other post-employment liabilities to be reported on the financials statements of the Town.
- The total cost of all Town services for fiscal year 2018 was approximately \$90.9 million.
- Beginning in 2018 the Marina fund was reported as an enterprise fund and included as a business-type activity.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$19.5 million, a decrease of approximately \$2.2 million over the prior year. The unassigned fund balance for the general fund was \$4.2 million or approximately 5.3% of general fund expenditures.
- The Town's total long-term debt increased by approximately \$2.4 million during the fiscal year. This was a result of result of regular scheduled maturities of approximately \$3.5 million and a new bond issuance of \$5.9 million.

Overview of the Financial Statements

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

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets, deferred outflows, liabilities, and deferred inflows with the end result 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 revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the Town include general government, public safety, education, public works, health and human services, culture and recreation, and debt service. The business-type activities include the marina activities.

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.

Government Funds: Most of the basic services provided by the Town are financed through Governmental funds. Governmental funds are used to account for the same functions reported as governmental activities in the government – wide financial statements. However, the governmental fund financial statements focus on near term inflows and outflows of resources to be spent. The focus is also on the balances left at the end of the fiscal year available for spending. This information is useful in evaluation the Town's near-term financing requirements. This approach is the modified accrual basis of accounting, which uses the flow of current financial resources measurement focus. Such statements provide a detailed short-term view of the town's finances that assist in determining whether there will be adequate financial resources available to meet current needs.

Because the focus of governmental funds is narrower than that of 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. This comparison will assist the reader in understanding the long-term impact of the governments near term financing decisions. The governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide reconciliations to facilitate the comparison. The reconciliation is presented on the page immediately following the governmental funds financial statements.

The Town maintains several governmental funds. Of the funds two are considered major funds, the general fund and the public safety building construction project, these are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances. The remaining governmental funds are aggregated and shown as other governmental funds. The basic governmental fund financial statements can be found on the accompanying pages of this report.

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed—amounts constrained by a government using its highest level of decision-making authority
- Assigned—amounts a government intends to use for a particular purpose
- Unassigned—amounts that are not constrained at all will be reported in the general fund or in other major funds if negative

Proprietary Funds –The Town maintains one proprietary fund. The Town uses the proprietary fund to account for its marina activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail for the marina operations. The basic proprietary fund financial statements can be found in the accompanying pages of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on the accompanying pages of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements described above.

Required supplementary information: The Town adopts an annual budget for its general fund. A Budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget. Additionally, the Town reports the schedules related to its Other Post Employment Benefits (“OPEB”) Plan and Pension Plans.

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 \$18.6 million at the close of the most recent fiscal year as demonstrated in the following table.

The following represents the condensed statement of net position:

Net Position		
	Primary Government	
	June 30, 2018	June 30, 2017
<u>Assets</u>		
Current and other assets	\$ 43,129,622	\$ 41,999,842
Capital assets, net	154,058,872	155,828,688
Total assets	197,188,494	197,828,530
Deferred outflows of resources	7,711,190	6,817,306
<u>Liabilities</u>		
Long-term liabilities	160,558,967	166,480,003
Other liabilities	15,469,710	11,697,831
Total liabilities	176,028,677	178,177,834
Deferred inflows of resources	14,199,827	12,987,833
<u>Net Position</u>		
Net investment in capital assets	128,956,711	136,794,734
Restricted	13,592,236	15,379,995
Unrestricted	(127,877,767)	(138,694,560)
Net Position	\$ 14,671,180	\$ 13,480,169

The 2017 primary government activities have been revised to reflect the net asset revisions detailed in Note 16.

Included within the primary government current assets, unrelated to capital assets, are \$2.5 million in future year school construction reimbursement grants and \$1.8 million in state highway construction grants.

Primary government long-term liabilities included \$22.3 million in general obligation bonds \$3.7 million has been classified as a current liability because it is due in the following year for a total bond obligation of \$26.0 million. Long-term liabilities also include \$784,000 for landfill closure and monitoring (\$56,000 current) for a total liability of \$840,000. Capital lease obligations in the amount of approximately \$77,000 are classified as long-term and approximately \$36,000 as current. Long term liabilities also include net pension liability of \$41.3 million, other post- employment benefits ("OPEB") of \$93.0 million and compensated absences of \$1.1 million.

Largest portion of the Town's net position \$132.2 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 (\$13.6 million) represents resources that are subject to restrictions 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, is in a deficit of \$127.2 million.

Governmental activities increased the Town's net position by \$4.5 million during fiscal year 2018. A summary of revenues and major functional expenditures is presented below.

Change in Net Position		
	Governmental Activities	
	June 30, 2018	June 30, 2017
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 5,720,692	\$ 5,198,863
Operating grants and contributions	19,069,181	14,927,702
Capital grants and contributions	1,543,648	2,236,563
General revenues:		
Property taxes	60,069,900	60,264,397
Excise taxes	3,607,994	3,538,121
Penalties and interest taxes	403,816	404,310
Grants and contributions not restricted to specific programs	3,799,003	3,517,201
Investments	197,989	116,797
Total revenues	94,412,223	90,203,954
<u>Expenses</u>		
General government	9,242,501	19,686,069
Public safety	10,390,870	11,050,672
Education	47,596,866	43,649,102
Public works	7,022,108	5,625,904
Health and human services	762,362	788,426
Culture and recreation	4,077,435	2,221,126
Interest expense	787,561	755,285
State and county charges	9,459,310	10,260,825
Total expenses	89,339,013	94,037,409
Change in net position before transfers	5,073,210	(3,833,455)
Transfers	(619,298)	(69,984)
Change in net position	4,453,912	(3,903,439)
Net position, beginning of year (as revised)	10,217,268	14,120,707
Net position, end of year	\$ 14,671,180	\$10,217,268

Key elements of current year fluctuations include the following:

- Property taxes of \$60.1 million make up the largest share (64%) of the Town’s governmental activity 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 \$19.1 million make up the second largest revenue representing approximately (20%) of the Town’s 2018 revenue. Education grants and contributions of \$17.1 million comprise the largest component of these revenues. This is primarily from \$7.0 million of chapter 70 state aid and \$7.0 million from Massachusetts Teachers Retirement System (MTRS) on behalf payment and other revenues.
- Total governmental activity expenses of the Town decreased approximately \$4.7 million from the previous year (5.0% decrease from prior year). This decrease was due primarily to the net changes as a result of recording GASB #75 OPEB liability and the related deferred inflows.

Business-type activities increased the Town’s net position by \$0.7 million during fiscal year 2018. A summary of revenues and major functional expenditures is presented below.

Change in Net Position		
	Business-Type Activities	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 1,713,795	\$ 1,549,946
Total revenues	<u>1,713,795</u>	<u>1,549,946</u>
<u>Expenses</u>		
Salaries and wages	444,227	417,662
Expenses	911,587	1,191,227
Depreciation	173,621	170,633
Total expenses	<u>1,529,435</u>	<u>1,779,522</u>
Total operating income	184,360	(229,576)
<u>Non operating revenues (expenses)</u>		
Interest income	1,097	1,497
Interest expense	(47,413)	(24,784)
Total expenses	<u>(46,316)</u>	<u>(23,287)</u>
<u>Transfers, net</u>	<u>519,298</u>	<u>(15,000)</u>
Change in net position	657,342	(267,863)
Net position, beginning of year (as revised)	<u>3,262,901</u>	<u>3,530,764</u>
Net position, end of year	<u>\$ 3,920,243</u>	<u>\$ 3,262,901</u>

Key elements of current year business-type fluctuations include the following:

- Total business-type activities operating revenues showed an increase of approximately \$164,000 from the prior year related to increased fuel sales during the year.
- Total business-type activities operating expenses showed a decrease of approximately \$250,000 from the prior year. This decrease is attributable to a reduction in operating supply purchases.

Beginning net position of the governmental activities have been revised to reflect the implementation of GASB Statement #75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The implementation of this standard required the calculation of the OPEB liability to be revised due to the use of different methods and assumptions as previously required by GASB Statement #45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". Accordingly, the Town's net position as of June 30, 2017, has been revised to reflect these changes. (See Note 16 for further details regarding the revised balances).

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

Governmental Funds – The focus of the Town's *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 do 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 represents expenditures incurred for specific purpose which exceeded the amounts restricted, committed, or assigned for that purpose.

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported combined ending fund balance surplus of approximately \$19.5 million, a decrease of approximately \$2.2 million, from \$21.7 million at the end of the prior fiscal year. The governmental funds' combined ending fund balances were reported in the following classification: non- spendable fund balance of \$0.3 million, restricted fund balance of \$7.9 million, committed fund balance of \$5.1 million, assigned fund balance of \$3.1 million and unassigned fund balance of \$3.1 million.

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 \$8.9 million, a decrease of \$0.4 million from the previous year. Of this amount \$7,108 (<1%) represents restricted fund balance, \$1.5 million (18%) represents committed fund balance and \$3.1 million (35%) represents assigned fund balance of total general fund balance. Unassigned fund balance is \$4.2 million (47%) 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 5.2% of total general fund expenditures, while total fund balance represents 10.9% of that same amount. The Town's general fund unassigned fund balance of approximately \$4.2 million is 5.2% 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 \$82.1 million and the final amended budget of \$77.8 million can be briefly summarized as follows:

- Continuing appropriations (warrant articles) of approximately \$4.3 million was reduced from the original budget into future periods.
- Special Town Meeting appropriations of approximately \$33,000

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental activities as of June 30, 2018, amounted to approximately \$154.1 million, which is net of accumulated depreciation of \$162.6 million. The Town’s investment in capital assets for its business-type activities as of June 30, 2018, amounted to approximately \$5.1 million, which is net of accumulated depreciation of \$2.2 million. The investment in capital assets includes land; buildings improvements; machinery and equipment and infrastructure.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$81.7	\$ 81.5	\$ 2.3	\$ 2.3
Construction in progress	9.6	2.4	-	-
Buildings and related improvements	43.3	44.5	2.2	2.3
Equipment and machinery	1.3	1.3	0.1	0.1
Vehicles	2.6	2.5	-	-
Infrastructure	15.6	18.3	0.5	0.6
	<u>\$ 154.1</u>	<u>\$ 150.5</u>	<u>\$ 5.1</u>	<u>\$ 5.3</u>

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

- \$5.8 million of construction for the Public Safety Building
- \$1.1 million of roadway construction and improvements
- \$906,500 for the Clark-Haddad Building Repairs
- \$657,000 of vehicles purchased

Debt Obligations – At the end of the current fiscal year, the Town had total debt outstanding of \$24.1 million (\$24.1 million at June 30, 2017) for the governmental activities and \$1.9 million (\$2.0 million at June 30, 2017) for the business-type activities. The Town paid down principal of approximately \$3.5 million during the year and issued approximately \$5.9 million of new debt during the year.

The Town maintains an AA+ rating from Standard & Poor’s Investor’s Service as of January 26, 2018.

Economic Factors and Next Year's Budgets and Rates – The Town has increased its operating budget by 3.8% from fiscal year 2018 to fiscal year 2019.

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: Finance Director, 130 Main Street, Sandwich, MA 02563.

TOWN OF SANDWICH, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 33,991,103	\$ 700,451	\$ 34,691,554
Investments	505,723	-	505,723
Receivables, net of allowance for uncollectibles	8,632,796	-	8,632,796
Capital assets, net of depreciation	154,058,872	5,122,379	159,181,251
Total Assets	197,188,494	5,822,830	203,011,324
Deferred Outflows of Resources			
Changes in proportion and differences between pension contributions	1,486,326	-	1,486,326
Changes in pension plan assumptions	5,152,370	-	5,152,370
Deferred amount on bond refunding	1,072,494	-	1,072,494
Total Deferred Outflows of Resources	7,711,190	-	7,711,190
Liabilities			
Current liabilities:			
Warrants and salaries payable	5,212,207	195	5,212,402
Amounts withheld from employees	260,543	-	260,543
Accrued interest	206,653	7,392	214,045
Provision for refund of paid taxes	40,307	-	40,307
Bond anticipation notes payable	9,750,000	-	9,750,000
Noncurrent liabilities:			
Due in one year or less	3,658,092	105,000	3,763,092
Due in more than one year	156,900,875	1,790,000	158,690,875
Total Liabilities	176,028,677	1,902,587	177,931,264
Deferred Inflows of Resources			
Deferred revenue	1,801,259	-	1,801,259
Net difference between expected and actual pension experience	592,314	-	592,314
Net difference between projected and actual pension investment income	2,698,369	-	2,698,369
Changes in OPEB plan assumptions	8,649,133	-	8,649,133
Net difference between projected and actual OPEB trust investment income	1,599	-	1,599
Unamortized bond premiums	457,153	-	457,153
Total Deferred Inflows of Resources	14,199,827	-	14,199,827
Net Position			
Net investment in capital assets	128,956,711	3,227,379	132,184,090
Restricted	13,592,236	-	13,592,236
Unrestricted	(127,877,767)	692,864	(127,184,903)
Total Net Position	\$ 14,671,180	\$ 3,920,243	\$ 18,591,423

See accompanying notes to basic financial statements.

TOWN OF SANDWICH, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental Activities:							
General government	\$ 9,242,501	\$ 219,569	\$ 741,598	\$ 18,535	\$ (8,262,799)		\$ (8,262,799)
Public safety	10,390,870	2,188,026	592,881	-	(7,609,963)		(7,609,963)
Education	47,596,866	1,375,144	17,101,749	1,279,534	(27,840,439)		(27,840,439)
Public works	7,022,108	612,118	78,560	245,579	(6,085,851)		(6,085,851)
Health and human services	762,362	62,976	137,703	-	(561,683)		(561,683)
Culture and recreation	4,077,435	1,262,859	416,690	-	(2,397,886)		(2,397,886)
State and county charges	9,459,310	-	-	-	(9,459,310)		(9,459,310)
Interest expense and other charges	787,561	-	-	-	(787,561)		(787,561)
Total Governmental Activities	89,339,013	5,720,692	19,069,181	1,543,648	(63,005,492)		(63,005,492)
Business-Type Activities:							
Marina	1,576,848	1,713,795	-	-		136,947	136,947
Total Primary Government	\$ 90,915,861	\$ 7,434,487	\$ 19,069,181	\$ 1,543,648	(63,005,492)	136,947	(62,868,545)
General Revenues:							
					60,069,900	-	60,069,900
					3,799,003	-	3,799,003
					3,607,994	-	3,607,994
					403,816	-	403,816
					197,989	1,097	199,086
					(619,298)	519,298	(100,000)
					67,459,404	520,395	67,979,799
					4,453,912	657,342	5,111,254
					10,217,268	3,262,901	13,480,169
					\$ 14,671,180	\$ 3,920,243	\$ 18,591,423

See accompanying notes to basic financial statements.

TOWN OF SANDWICH, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General	Public Safety Building Project	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 13,486,133	\$ 8,692,841	\$ 11,812,129	\$ 33,991,103
Investments			505,723	505,723
Receivables	5,599,249	-	3,702,747	9,301,996
Total Assets	<u>19,085,382</u>	<u>8,692,841</u>	<u>16,020,599</u>	<u>43,798,822</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 19,085,382</u>	<u>\$ 8,692,841</u>	<u>\$ 16,020,599</u>	<u>\$ 43,798,822</u>
Liabilities				
Warrants and salaries payable	\$ 4,540,526	\$ -	\$ 671,681	\$ 5,212,207
Amounts withheld from employees	260,543	-	-	260,543
Provision for refund of paid taxes	40,307			40,307
Bond anticipation notes payable	-	9,750,000	-	9,750,000
Total Liabilities	<u>4,841,376</u>	<u>9,750,000</u>	<u>671,681</u>	<u>15,263,057</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	2,368,656	-	-	2,368,656
Unavailable revenue - excise taxes	386,311			386,311
Unavailable revenue - other	2,574,884	-	3,702,747	6,277,631
Total Deferred Inflows of Resources	<u>5,329,851</u>	<u>-</u>	<u>3,702,747</u>	<u>9,032,598</u>
Fund Balances				
Nonspendable	-	-	302,354	302,354
Restricted	7,108	-	7,847,988	7,855,096
Committed	1,547,819	-	3,540,406	5,088,225
Assigned	3,118,660	-	-	3,118,660
Unassigned	4,240,568	(1,057,159)	(44,577)	3,138,832
Total Fund Balances	<u>8,914,155</u>	<u>(1,057,159)</u>	<u>11,646,171</u>	<u>19,503,167</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 19,085,382</u>	<u>\$ 8,692,841</u>	<u>\$ 16,020,599</u>	<u>\$ 43,798,822</u>

See accompanying notes to basic financial statements.

TOWN OF SANDWICH, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Governmental Fund Balances	\$ 19,503,167
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	154,058,872
Certain deferred inflows of resources are accrued as revenue on a full accrual basis and are not reported in the governmental funds	(5,167,229)
Reporting on full accrual basis requires an estimate for uncollectible accounts	(669,200)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds	(160,558,967)
Certain deferred outflows of resources are reported on a full accrual basis and are not reported in the governmental funds	7,711,190
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued	<u>(206,653)</u>
Net Position of Governmental Activities	<u><u>\$ 14,671,180</u></u>

See accompanying notes to basic financial statements.

TOWN OF SANDWICH, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018

	General	Public Safety Building Project	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Real estate and personal property taxes	\$ 58,612,675	\$ -	\$ 1,671,809	\$ 60,284,484
Motor vehicle and other excises	3,578,478	-	57,235	3,635,713
Penalties and interest on taxes	403,816	-	-	403,816
License and permits	624,002	-	313,368	937,370
Charges for services	-	-	4,780,970	4,780,970
Fines and forfeitures	161,618	-	484,665	646,283
Investment income	182,372	-	15,617	197,989
Contributions and donations	-	-	718,212	718,212
Departmental and other	531,810	-	785,071	1,316,881
Intergovernmental	17,763,621	-	4,610,412	22,374,033
Total Revenues	<u>81,858,392</u>	<u>-</u>	<u>13,437,359</u>	<u>95,295,751</u>
Expenditures:				
Current:				
General government	16,617,824	-	789,544	17,407,368
Public safety	10,081,633	5,825,406	544,824	16,451,863
Education	41,808,676	-	4,550,380	46,359,056
Public works	2,924,147	-	1,567,013	4,491,160
Health and human services	675,138	-	95,325	770,463
Culture and recreation	1,477,125	-	3,926,534	5,403,659
State and county tax assessments	7,925,276	-	-	7,925,276
Debt service:				
Principal payback	2,200,829	-	1,230,000	3,430,829
Interest expense	446,830	-	232,807	679,637
Total Expenditures	<u>84,157,478</u>	<u>5,825,406</u>	<u>12,936,427</u>	<u>102,919,311</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,299,086)</u>	<u>(5,825,406)</u>	<u>500,932</u>	<u>(7,623,560)</u>
Other Financing Sources (Uses):				
Proceeds from issuance of debt	-	5,880,000	-	5,880,000
Bond premiums received	-	135,132	-	135,132
Transfers in	1,951,383	-	-	1,951,383
Transfers out	(100,000)	-	(2,470,681)	(2,570,681)
Total Other Financing Sources (Uses)	<u>1,851,383</u>	<u>6,015,132</u>	<u>(2,470,681)</u>	<u>5,395,834</u>
Net Change in Fund Balances	(447,703)	189,726	(1,969,749)	(2,227,726)
Fund Balances - Beginning	9,361,858	(1,246,885)	13,615,920	21,730,893
Fund Balances - Ending	<u>\$ 8,914,155</u>	<u>\$ (1,057,159)</u>	<u>\$ 11,646,171</u>	<u>\$ 19,503,167</u>

See accompanying notes to basic financial statements.

TOWN OF SANDWICH MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Fund Balances **\$ (2,227,726)**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the net amount of depreciation expense in excess of capital outlay. The amounts are represented here as reconciling items:

Capital Outlays	\$ 9,958,203
Depreciation Expense	<u>(6,457,117)</u>

Net effect of reporting capital assets 3,501,086

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:

Amortization of bond costs	(89,374)
Amortization of bond premiums	28,138
Proceeds from bond premiums	(135,132)
Repayments of capital lease obligations	126,153
Proceeds from bond issuance	(5,880,000)
Repayments of bonds and notes	<u>3,430,829</u>

Net effect of reporting long-term debt (2,519,386)

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements.

Net change in deferred revenue	(817,632)
Differences between expected and actual pension experience	(59,472)
Net difference between projected and actual pension earnings	(2,698,369)
Net difference from changes in OPEB assumptions	2,162,283
Net difference between projected and actual OPEB earnings	(1,599)
Net change in allowance for uncollectible accounts	<u>(65,900)</u>

Net effect of recognition of revenue (1,480,689)

Certain deferred outflows of resources are recognized on the government-wide basis to be amortized over future periods

Net difference between projected and actual pension earnings	(2,363,876)
Net difference from changes in pension assumptions	2,685,464
Changes in proportion and differences between pension contributions	<u>661,673</u>

Net effect of pension deferred outflows 983,261

The fund financial statements record interest on long-term debt when due and revenue from related subsidies when received. The government-wide financial statements report interest on long-term debt and revenue on subsidies when incurred

Net change in accrued interest expense	<u>(46,688)</u>
--	-----------------

Net effect of interest accrual (46,688)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Estimated landfill post closure monitoring	56,000
Compensated absences	(20,800)
Net other postemployment benefits	5,968,305
Net pension liability	<u>240,549</u>

Net effect of reporting long-term liabilities 6,244,054

Change in Net Position of Governmental Activities **\$ 4,453,912**

See accompanying notes to basic financial statements.

TOWN OF SANDWICH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	<u>Business-Type Activities</u>
	<u>Marina Activities</u>
Assets	
Cash and cash equivalents	\$ 700,451
Capital assets, net of depreciation	5,122,379
Total Assets	<u>5,822,830</u>
Total Deferred Outflows of Resources	-
Liabilities	
Current liabilities:	
Warrants and salaries payable	195
Accrued interest	7,392
Noncurrent liabilities:	
Due in one year or less	105,000
Due in more than one year	1,790,000
Total Liabilities	<u>1,902,587</u>
Total Deferred Inflows of Resources	-
Net Position	
Net investment in capital assets	3,227,379
Unrestricted	692,864
Total Net Position	<u><u>\$ 3,920,243</u></u>

See accompanying notes to basic financial statements.

TOWN OF SANDWICH, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
JUNE 30, 2018

	<u>Business-Type Activities</u>
	<u>Marina Activities</u>
Operating revenues	
Charges for services - Rentals and Passes	\$ 891,532
Charges for services - Fuel and Electric	822,263
Total operating revenues	<u>1,713,795</u>
Operating expenses	
Salaries and wages	444,227
Operating expenses	911,587
Depreciation	173,621
Total operating expenses	<u>1,529,435</u>
Operating income (loss)	184,360
Non operating revenues	
Interest income	1,097
Interest expense	(47,413)
Total non operating revenue (expenses), net	<u>(46,316)</u>
Transfers	
Transfers in from other funds	534,298
Transfers out to other funds	(15,000)
Total transfers, net	<u>519,298</u>
Change in net position	657,342
Net position at beginning of year	<u>3,262,901</u>
Net position at end of year	<u><u>\$ 3,920,243</u></u>

See accompanying notes to basic financial statements.

TOWN OF SANDWICH, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
JUNE 30, 2018

	<u>Business-Type Activities</u>
	<u>Marina Activities</u>
Cash flows from operating activities	
Receipts from customers and users	\$ 1,713,795
Payments to vendors	(911,392)
Payments to employees, including fringe benefits	(444,227)
Net cash provided by (used for) operating activities	<u>358,176</u>
Cash flows from noncapital financing activities	
Transfer in from Marina Special Revenue Fund	534,298
Transfer out to the General Fund	(15,000)
Net cash provided by (used for) noncapital financing activities	<u>519,298</u>
Cash flows from capital and related financing activities	
Payments of long-term debt principal	(105,000)
Payments of interest costs	(48,025)
Net cash provided by (used for) capital and related financing activities	<u>(153,025)</u>
Cash flows from investing activities	
Interest income	1,097
Purchase of capital assets	(25,095)
Net cash provided by (used for) investing activities	<u>(23,998)</u>
Net change in cash and cash equivalents	700,451
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	<u>\$ 700,451</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 184,360
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	173,621
Changes in assets and liabilities:	
Warrants payable	\$ 195
Total adjustments	<u>195</u>
Net cash provide by (used for) operating activities	<u>\$ 358,176</u>

See accompanying notes to basic financial statements.

TOWN OF SANDWICH, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	Private Purpose Trust Funds	Postemployment Benefits Trust Fund	Agency Funds
Assets:			
Cash and cash equivalents	\$ 612,468	\$ -	\$ 461,838
Investments		342,262	-
Receivables	-	-	186,001
Total Assets	612,468	342,262	647,839
Liabilities:			
Warrants and other payables	-	-	43,134
Agency payables	-	-	604,705
Total Liabilities	-	-	647,839
Net Position:			
Held in trust	612,468	342,262	-
Total Net Position	\$ 612,468	\$ 342,262	\$ -

See accompanying notes to basic financial statements.

TOWN OF SANDWICH, MASSACHUSETTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2018

	Private Purpose Trust Funds	Other Postemployment Benefits Trust Fund
ADDITIONS		
Contributions	\$ 1,814	\$ -
Interest and dividends	9,179	24,156
Total Additions	10,993	24,156
DEDUCTIONS		
Scholarships and awards	9,525	-
Total Deductions	9,525	-
Transfers in	-	100,000
Total Transfers, net	-	100,000
CHANGE IN NET POSITION	1,468	124,156
NET POSITION AT BEGINNING OF YEAR	611,000	218,106
NET POSITION AT END OF YEAR	\$ 612,468	\$ 342,262

See accompanying notes to basic financial statements.

TOWN OF SANDWICH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 1: Organization and Reporting Entity

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

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.

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

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town’s significant joint ventures, their purpose, and the annual payments 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.

Joint venture and address	Purpose	FY 2018 Payments
Cape Cod Municipal Health Group c/o Group Benefit Strategies 27 Midstate Office Park Auburn, MA 01501	To provide employee insurance benefits	\$ 14,685,085
Cape Cod Regional Transit Authority 585 Main Street Dennis, MA 02638	To provide public transportation	\$ 135,486
District Dept. of Veteran Services PO Box 429 Hyannis, MA 02601	To provide veterans' services	\$ 27,924
Upper Cape Cod Regional Tech 220 Sandwich Road Bourne, MA 02532	To provide secondary vocational education	\$ 2,157,422

Joint venture and address	Purpose	FY 2018 Payments
Old Kings Highway Regional Historic District Commission PO Box 2187 Hyannis, MA 02601	To preserve historic character	\$ 9,950
Cape Cod Collaborative Lemay Avenue Bourne, MA 02532	To provide special education services	\$ 561,074

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 cost.

Related Organizations

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, 2018 the Town received funds of \$2,070,482 and disbursed \$2,063,091 to the Water District.

B. Government-Wide and Fund Financial Statements

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’s marina operations are 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.

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:

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 a general operating fund of the Town. It is used to account for all the financial resources not accounted for and reported in another fund.
- Public safety building project fund is a capital project fund used to account for and report construction activity related to the Town's public safety building.

Other (non-major) 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 funds types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific 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 the 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.
- 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 pricing policy designed to recover similar costs.
- Internal service funds are used to account for the financing of goods or services provided by an activity to other documents, 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 propriety funds. The following is a description of the fiduciary finds 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 for the water district 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. 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. Non-major funds by category are summarized into a single column titled Other Governmental Funds.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The 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 un-matured interest on general long term debt which is recognized when due, and certain compensated absences, claims and judgements 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 are 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 grand requirements are met.

D. Cash, Cash Equivalents and Investments

For the purpose of the Statement of Net Position, "cash and cash equivalents" 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.

E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 4 – Investments.

F. 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.

G. 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, motor vehicle and boat excise three years or more 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.

H. 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. The capitalization policy for the Town is for expenditures exceeding \$20,000 with a useful life of greater than one year.

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 July1, 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:

- Building and improvements 25-30 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.

I. Deferred Outflows and Deferred Inflows

Deferred outflows of resources, as applicable, represent a consumption of assets by the government that is applicable to a future reporting period. These deferred outflows of resources have a positive effect on net position. 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.

J. Liabilities

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

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

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

K. Compensated Absences

The Town's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Barnstable County Retirement System and the Massachusetts Teachers Retirement System. Additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. 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 purpose for which amounts in the funds can be spent. Fund balance can be classified in the following components:

- Non- spendable 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 balances- 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. Amounts may also be assigned by action of Town meeting vote.
- 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.

N. 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.

O. 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 2: Stewardship, Compliance and Accountability

A. Property Tax Calendar and Limitations

Real and personal property taxes for the 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.

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 non- spendable, restricted, committed, or assigned for specific purposes. The residual is reported as unassigned fund balance. As of June 30, 2018, the classification of the Town’s fund balances can be detailed as follows:

	General Fund	Public Safety Building Project	Nonmajor Governmental Funds	Total
Nonspendable:				
Nonexpendable trust fds	\$ -	\$ -	\$ 302,354	\$ 302,354
Restricted:				
General Government	-	-	884,471	884,471
Public Safety	-	-	2,575,278	2,575,278
Education	-	-	1,776,448	1,776,448
Public Works	-	-	912,639	912,639
Health and Human Svcs	-	-	649,397	649,397
Culture and Recreation	-	-	4,590,161	4,590,161
Debt Service	7,108	-	-	7,108
Assigned:				
General Government	30,237	-	-	30,237
Public Safety	1,543	-	-	1,543
Education	495,157	-	-	495,157
Public Works	1,319	-	-	1,319
Health and Human Svcs	58	-	-	58
Subsequent year budget	2,590,346	-	-	2,590,346
Committed:				
General Government	636,974	-	-	636,974
Public Safety	48,054	-	-	48,054
Education	409,539	-	-	409,539
Public Works	119,796	-	-	119,796
Health and Human Svcs	203,981	-	-	203,981
Culture and Recreation	129,475	-	-	129,475
Unassigned	4,240,568	(1,057,159)	(44,577)	3,138,832
	<u>\$ 8,914,155</u>	<u>\$ (1,057,159)</u>	<u>\$ 11,646,171</u>	<u>\$ 19,503,167</u>

Other assigned fund balances represent appropriations of existing fund balances to fund the fiscal year 2019 operating budget. These amounts have been classified above as assigned fund balance for the intended purpose.

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, 2018, the Town’s stabilization fund balance was \$1,598,030.

C. Restricted Net Position

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

Capital project funds	\$	361,245
Special revenue funds:		
Community preservation fund		3,055,048
Ambulance fund		2,459,207
Transfer station		539,171
Golf		410,865
Other special revenue funds		6,164,494
Permanent funds:		
Expendable		302,354
Non-expendable		299,852
	\$	<u>13,592,236</u>

Note 3: Cash and Cash 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 certain certifications 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 form date of purchase or 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 the 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, 2018, deposits totaled \$35,519,067 and had a carrying amount of \$35,765,860. The difference between deposit amounts and carrying amounts primarily represents outstanding checks and deposits in transit. Of the deposit amounts \$9,666,081 was exposed to custodial credit risk, because it was uninsured.

Note 4: Investments

The Town maintains accounts for the investment of funds at June 30, 2018 of \$847,985. Of this total \$505,723 is related to governmental activities and \$342,262 is related to fiduciary activities (OPEB trust fund).

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 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, 2018, security (common stock) investments are held to 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 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:

Governmental Activities

Investment Type	Fair Market Value	12 Months or Less	13 - 24 Months	25 - 60 Months	Not Applicable
Money Market Funds	\$ 5,143	\$ 5,143	\$ -	\$ -	\$ -
Mutual Funds	23,870	23,870	-	-	-
Certificates of Deposit	100,502	19,773	70,914	9,815	-
MMDT	14,398	14,398	-	-	-
Corporate Notes	74,718	14,947	49,202	10,569	-
Domestic Equities	141,758	-	-	-	141,758
Treasury Securities	145,334	32,746	24,750	87,838	-
	<u>\$ 505,723</u>	<u>\$ 110,877</u>	<u>\$ 144,866</u>	<u>\$ 108,222</u>	<u>\$ 141,758</u>

Fiduciary Activities

Investment Type	Fair Market Value	12 Months or Less	13 - 24 Months	25 - 60 Months	Not Applicable
Money Market Funds	\$ 34,334	\$ 34,334	\$ -	\$ -	\$ -
Mutual Funds	307,928	307,928	-	-	-
	<u>\$ 342,262</u>	<u>\$ 342,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S Government and certain of its agencies are not considered to have 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 classification:

Governmental Activities

Investment Type	Fair Market Value	Exempt from Disclosure	AA+	A to A-	BBB+ to BBB	Not Rated
Money Market Funds	\$ 5,143	\$ -	\$ -	\$ -	\$ -	\$ 5,143
Mutual Funds	23,870	-	-	-	-	23,870
Certificates of Deposit	100,502	-	-	-	-	100,502
MMDT	14,398	14,398	-	-	-	-
Corporate Notes	74,718	-	-	10,570	64,148	-
Domestic Equities	141,758	-	-	-	-	141,758
Treasury Securities	145,334	-	145,334	-	-	-
	<u>\$ 505,723</u>	<u>\$ 14,398</u>	<u>\$ 145,334</u>	<u>\$ 10,570</u>	<u>\$ 64,148</u>	<u>\$ 271,273</u>

Fiduciary Activities

Investment Type	Fair Market Value	Exempt from Disclosure	AA+	A to A-	BBB+ to BBB	Not Rated
Money Market Funds	\$ 34,334	\$ -	\$ -	\$ -	\$ -	\$ 34,334
Mutual Funds	307,928	-	-	-	-	307,928
	<u>\$ 342,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 342,262</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.

Fair Market Value of Investments - The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The following table presents financial assets at June 30, 2018, that the Town measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	Fair Market Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
Debt Securities:				
Treasury Securities	\$ 145,334	\$ 145,334	\$ -	\$ -
Corporate Notes	74,718	-	74,718	-
Certificates of Deposit	100,502	100,502	-	-
Total Debt Securities	320,554	245,836	74,718	-
Equity securities:				
Domestic equities	141,758	141,758	-	-
Mutual Funds	331,798	331,798	-	-
Total Equity Securities	473,556	473,556	-	-
Total investments by fair value level	794,110			
Investments measured at amortized cost:				
Money Market Funds	39,477			
MMDT	14,398			
Total investments measured at amortized cost	53,875			
Total investments	\$ 847,985			

Note 5: Receivables

The Town reports the aggregate amount of receivables in the accompanying Statement of Net Position and Balance Sheet. In addition, governmental funds report, on the Balance Sheet, deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of current the 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. 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:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 1,463,266	\$ (93,200)	\$ 1,370,066
Tax liens, deferrals and foreclosures	1,238,766	-	1,238,766
Motor vehicle and other excise	386,311	(116,400)	269,911
Charges for services - ambulance	1,838,462	(459,600)	1,378,862
Septic and road betterments	106,243	-	106,243
Intergovernmental - State highway awards	1,801,259	-	1,801,259
Intergovernmental - School building assistance	2,467,689	-	2,467,689
Total	\$ 9,301,996	\$ (669,200)	\$ 8,632,796

Massachusetts highway awards (Chapter 90) are awarded to the town on an annual basis. The Town submits reimbursements upon completion of approved project expenditures. As of June 30, 2018, the Town has reported \$1,801,259 as deferred inflow of resources associated with these awards

Note 6: Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance (as revised)	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 81,539,074	\$ 125,000	\$ -	\$ 81,664,074
Construction in Process	2,405,120	7,242,546	-	9,647,666
Total capital assets not being depreciated	<u>83,944,194</u>	<u>7,367,546</u>	<u>-</u>	<u>91,311,740</u>
Capital assets being depreciated:				
Buildings and improvements	84,992,186	483,357	-	85,475,543
Machinery and equipment	7,066,545	323,444	-	7,389,989
Vehicles	6,790,660	657,718	-	7,448,378
Infrastructure	<u>123,936,084</u>	<u>1,126,138</u>	<u>-</u>	<u>125,062,222</u>
Total capital assets being depreciated	222,785,475	2,590,657	-	225,376,132
Less accumulated depreciation for:				
Buildings and improvements	(40,377,078)	(1,836,081)	-	(42,213,159)
Machinery and equipment	(5,821,259)	(223,578)	-	(6,044,837)
Vehicles	(4,330,884)	(555,655)	-	(4,886,539)
Infrastructure	<u>(105,642,662)</u>	<u>(3,841,803)</u>	<u>-</u>	<u>(109,484,465)</u>
Total accumulated depreciation	<u>(156,171,883)</u>	<u>(6,457,117)</u>	<u>-</u>	<u>(162,629,000)</u>
Total capital assets being depreciated, net	<u>66,613,592</u>	<u>(3,866,460)</u>	<u>-</u>	<u>62,747,132</u>
Governmental activities capital assets, net	<u>\$150,557,786</u>	<u>\$ 3,501,086</u>	<u>\$ -</u>	<u>\$ 154,058,872</u>

Beginning balances were revised as detailed in Note 16.

Depreciation expense was charged to functions/programs as follows:

<i><u>Governmental Activities:</u></i>	
General government	\$ 311,200
Public safety	425,140
Education	1,543,980
Public works	3,877,530
Health and human services	4,600
Culture and recreation	<u>294,667</u>
Total Governmental Activities	<u>\$ 6,457,117</u>

	Beginning Balance (as revised)	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 2,337,000	\$ -	\$ -	\$ 2,337,000
Total capital assets not being depreciated	<u>2,337,000</u>	<u>-</u>	<u>-</u>	<u>2,337,000</u>
Capital assets being depreciated:				
Buildings and improvements	2,504,592	-	-	2,504,592
Machinery and equipment	176,294	25,095	-	201,389
Vehicles	83,630	-	-	83,630
Infrastructure	2,172,378	-	-	2,172,378
Total capital assets being depreciated	<u>4,936,894</u>	<u>25,095</u>	<u>-</u>	<u>4,961,989</u>
Less accumulated depreciation for:				
Buildings and improvements	(192,366)	(125,230)	-	(317,596)
Machinery and equipment	(137,861)	(8,377)	-	(146,238)
Vehicles	(83,630)	-	-	(83,630)
Infrastructure	(1,589,132)	(40,014)	-	(1,629,146)
Total accumulated depreciation	<u>(2,002,989)</u>	<u>(173,621)</u>	<u>-</u>	<u>(2,176,610)</u>
Total capital assets being depreciated, net	<u>2,933,905</u>	<u>(148,526)</u>	<u>-</u>	<u>2,785,379</u>
Business-type activities capital assets, net	<u>\$ 5,270,905</u>	<u>\$ (148,526)</u>	<u>\$ -</u>	<u>\$ 5,122,379</u>

Beginning balances were revised as detailed in Note 16.

Business-Type Activities:

Marina	\$ 173,621
Total Business-Type Activities	<u>\$ 173,621</u>

Note 7: Interfund Balances and Activity

As of June 30, 2018, the Town did not have any interfund receivables or payables. Interfund transfers for the fiscal year ended June 30, 2018, consisted of the following:

Transfers Out	Transfers In			
	General Fund	Marina Enterprise Fund	OPEB Fiduciary Total	
General Fund	\$ -	\$ -	\$ 100,000	\$100,000 (1)
Nonmajor Gov. Funds	1,936,383	534,298	-	2,470,681 (2)
Marina Enterprise Fund	15,000	-	-	15,000 (3)
Total	<u>\$1,951,383</u>	<u>\$ 534,298</u>	<u>\$ 100,000</u>	<u>\$2,585,681</u>

(1) Transfer to provide funding for the OPEB Trust fund

(2) Transfers to general fund to supplement operating budgets and transfer of 7/1/2017 marina fund balance to the marina enterprise fund

(3) Transfers to general fund to supplement operating budgets

Note 8: Long-Term Obligations

The Following is a summary of changes in long term obligations for the year ended June 30, 2018:

	Beginning Balance (as revised)	Additions	Deletions	Ending Balance	Due within one year
Governmental Activities:					
Massachusetts Clean Water Trust, subsidized septic bonds, dtd 10/6/99, due 8/1/21	\$ 43,535	\$ -	(10,829)	\$ 32,705	\$ 10,829
MCWT Septic Loan- Refunding Bond	70,000	-	(10,000)	60,000	10,000
G.O. Bonds, 2-4%, dtd 11/1/09, due 11/1/19	900,000	-	(300,000)	600,000	300,000
G.O. Refunding Bonds, 3-5%, dtd 4/15/11, due 9/15/22	3,445,000	-	(650,000)	2,795,000	635,000
G.O. Refunding Bonds, series A and B, 0.465-3.54%, dtd 6/6/13, due 7/15/29	11,150,000	-	(2,040,000)	9,110,000	1,980,000
G.O. Bonds, 2-4%, dtd 6/15/15, due 6/15/35	4,230,000	-	(285,000)	3,945,000	285,000
G.O. Bonds, 2-4%, dtd 11/3/16, due 11/1/36	1,850,000	-	(135,000)	1,715,000	135,000
G.O. Bonds, 3-4%, dtd 2/15/18, due 2/15/38	-	5,880,000	-	5,880,000	210,000
Total long-term bonds payable	21,688,535	5,880,000	(3,430,829)	24,137,705	3,565,829
Capital lease obligations	239,827	-	(126,151)	113,676	36,263
Landfill closure and monitoring	896,000	-	(56,000)	840,000	56,000
Compensated absences	1,100,300	20,800	-	1,121,100	-
Other postemployment benefits	98,969,325	7,449,193	(13,417,499)	93,001,019	-
Pension liability	41,586,016	3,385,610	(3,626,159)	41,345,467	-
Total Governmental Activities	\$164,480,003	\$ 16,735,603	\$(20,656,638)	\$160,558,967	\$ 3,658,092
Business-type Activities: Marina					
G.O. Bonds, 2-4%, dtd 11/3/16, due 11/1/36	2,000,000	-	(105,000)	1,895,000	105,000
Total Business-type Activities	2,000,000	-	(105,000)	1,895,000	105,000
Total Business-type Activities	\$ 2,000,000	\$ -	\$ (105,000)	\$ 1,895,000	\$ 105,000
Total Long-term Obligations	\$166,480,003	\$ 16,735,603	\$(20,761,638)	\$162,453,967	\$3,763,092

Long term debt

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. Additionally, the difference between the par value and the old bonds and the reacquisition price is recorded as a deferred inflow of resources. (See Note 10)

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, 2018, total defeased debt outstanding related to refunded issues is approximately \$12.49 million.

The Outstanding Massachusetts Clean Water Trust (“ MCWT”) 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 MCWT (and MCWT 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, 2018 including interest are as follows:

Year Ending June 30,	Governmental Activities					Totals
	Principal	Interest			Net	
	Gross	Gross	Subsidy			
2019	\$ 3,565,829	\$ 703,823	\$ (4,385)	\$ 699,438	\$ 4,265,267	
2020	3,525,826	606,305	(3,344)	602,961	4,128,787	
2021	2,871,050	510,594	(2,302)	508,292	3,379,342	
2022	1,825,000	433,287	(1,250)	432,037	2,257,037	
2023	1,520,000	373,510	(750)	372,760	1,892,760	
2024-2028	5,100,000	1,308,136	(500)	1,307,636	6,407,636	
2029-2033	3,650,000	583,900	-	583,900	4,233,900	
2034-2038	2,080,000	191,506	-	191,506	2,271,506	
Total	\$ 24,137,705	\$ 4,711,061	\$ (12,531)	\$ 4,698,530	\$ 28,836,235	

Year Ending June 30,	Business-Type Activities		
	Principal	Interest	Totals
	Gross	Gross	
2019	\$ 105,000	\$ 44,350	\$ 149,350
2020	105,000	40,675	145,675
2021	105,000	37,525	142,525
2022	105,000	35,425	140,425
2023	100,000	32,375	132,375
2024-2028	500,000	126,875	626,875
2029-2033	495,000	75,938	570,938
2034-2038	380,000	19,000	399,000
Total	\$ 1,895,000	\$ 412,163	\$ 2,307,163

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, 2018:

Project	Amount
<i>Governmental Activities:</i>	
Public Roadways	\$ 8,000,000
CPA - Skatepark / Recreation	2,100,000
Public Safety Project	1,250,000
Regional Septic Treatment	6,500,000
Betterments	17,000
Betterments	2,484
Betterments	751
Total Authorized and Unissued Debt	\$ 17,870,235

The Town has received grants from the Commonwealth of Massachusetts for reimbursement of the eligible construction and interest cost on certain School construction projects and in fiscal year 2003 on the High School addition/ renovation for a 20- year period at approximately 60% of eligible costs. These financial statements and are fully accrued on the government wide financial statements. There are six years remaining in the reimbursement of the project, and during 2018, a total of \$1,279,534 was reimbursed inclusive of \$469,613 of interest.

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, 2018.

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’s capital lease obligations at June 30, 2018 are summarized below:

Lease	Balance 6/30/2018
Golf Carts	\$ 113,676
Total	<u>\$ 113,676</u>

The future minimum lease payments and the present value of the minimum lease payments are as follows:

Fiscal Year Ended June 30,	Amount
2019	36,263
2020	37,843
2021	39,570
Total minimum lease payments	\$ 113,676

Note 9: 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, 2018 is as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
BAN	2.00%	02/16/18	\$ 6,015,000	\$ -	\$ (6,015,000)	\$ -
BAN	2.50%	03/08/19	-	9,750,000	-	9,750,000
Total Governmental Notes			<u>\$ 6,015,000</u>	<u>\$ 9,750,000</u>	<u>\$ (6,015,000)</u>	<u>\$ 9,750,000</u>

Note 10: 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.

	Beginning Balance (as revised)	Additions	Deletions	Ending Balance
Deferred outflows of resources:				
Net difference between projected and actual pension invest. earnings	\$ 2,363,876	\$ -	\$ (2,363,876)	\$ -
Changes in proportion and difference between employer contributions and proportionate share of pension contributions	824,653	661,673		1,486,326
Changes in actuary assumptions related to the pension	2,466,909	2,685,461		5,152,370
Deferred amount on bond refunding	1,161,868	-	(89,374)	1,072,494
Total deferred outflows of resources	<u>\$ 6,817,306</u>	<u>\$ 3,347,134</u>	<u>\$ (2,453,250)</u>	<u>\$ 7,711,190</u>
Deferred outflows of resources:				
Deferred revenue	\$ 1,293,416	\$ 507,843	\$ -	\$ 1,801,259
Net difference between expected and actual pension experience	532,842	59,472		592,314
Net difference between projected and actual pension investment earnings		2,698,369		2,698,369
Changes in actuary assumptions related to the OPEB liability	10,811,416		(2,162,283)	8,649,133
Net difference between projected and actual OPEB investment earnings		1,599		1,599
Unamortized bond premiums	350,159	135,132	(28,138)	457,153
Total deferred inflows of resources	<u>\$ 12,987,833</u>	<u>\$ 3,402,415</u>	<u>\$ (2,190,421)</u>	<u>\$ 14,199,827</u>

Note 11: Employee Benefits

A. Retirement Benefits

Plan Description:

The Barnstable County Retirement Association (the "Association" or "Plan") is a multiple employer, cost sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Barnstable County Retirement Board ("the Board"), with the exception of school department employees who serve in a teaching capacity. The pensions for school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System ("MTRS"). Membership in the Association is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 25 hours per week. As of January 1, 2017, the Association had 54 participating employers.

The Association is a member of the Massachusetts Contributory Retirement System and is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law ("M.G.L.") and other applicable statutes. The Public Employee Retirement Administration Commission ("PERAC") is the State Agency responsible for oversight of the Commonwealth's public retirement systems. The Association is governed by a five member Board who establish the policies under which the Association operates. The Association has issued a publicly available financial report that includes audited financial statements and required supplementary information for the year ended December 31, 2017, which may be obtained by writing to the Association directly at the following address: Barnstable County Retirement Association, 750 Attucks Lane, Hyannis, MA 02601.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiemployer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation:

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2017. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$7,038,888 is reported in the general fund as intergovernmental revenue and employee benefits and other fixed charges in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$67,439,796 as of the measurement date.

Benefits Provided:

The Association provides retirement, disability, survivor, and death benefits to plan members and their beneficiaries. Massachusetts General Laws ("M.G.L.") establish uniform benefit and contribution requirements for all contributory public employee retirement systems ("PERS"). Those requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of credible service, and group credible service and group classification. The authority for amending these provisions rests with the Legislature.

Contributions:

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

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

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

Members in Group 1 and Group 2, hired after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching age 60 (Group 1) or age 55 (Group 2). Governmental employers are required to pay an annual appropriation established by PERAC. The total appropriation includes the amount to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and an additional appropriation in accordance with adopted early retirement incentive programs. The total appropriations are payable July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discount rate of approximately 2%. The pension fund appropriations are allocated among employers based on covered payroll. The Town's statutorily required contribution for the year was \$3,626,159.

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

The collective net pension liability of the Association was determined by an actuarial valuation as of January 1, 2014 (measurement date). The components of this valuation, as it pertains to the Town are summarized below at December 31, 2017 based upon the valuation date of January 1, 2018:

	<u>2017</u>
Total pension liability	\$ 1,783,937,286
Less: Plan fiduciary net position	<u>(1,103,493,815)</u>
Net pension liability	<u>\$ 680,443,471</u>

Plan fiduciary net position as a percentage of the total pension liability		61.86%
Total employer pension expense	\$	78,392,869
Town's proportionate share of the collective net pension liability	\$	41,345,467
Town's percentage share of the collective net pension liability		6.27%
Town's covered payroll	\$	17,295,209
Town's proportionate share of pension expense recognized	\$	5,160,194

The Town's proportionate share of collective net deferred outflows of resources of \$31,374,377 as a result of the net difference between projected and actual investment earnings of the pension plan investments, was \$3,348,013. This amount is to be recognized in future pension expense as follows:

Year ended June 30,	
2019	\$ 1,063,579
2020	1,048,892
2021	300,887
2022	171,346
2023	763,309
	<u>\$ 3,348,013</u>

Actuarial Assumptions:

Valuation Date:	January 1, 2018
Actuarial Cost Method:	Entry Age Normal Cost Method
Amortization Method:	Appropriation increasing 5.28% per year through fiscal 2035 and 3.34% in fiscal 2036.
Inflation Rate:	3.25%
Net Investment Return:	7.375%
Asset Valuation Method:	Sum of actuarial value at beginning of year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of the market value at the end of the year in excess of that sum, plus additional adjustment toward market value as necessary so that final actuarial value is within 20% of market value.
Projected Salary Increases:	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2, and 4.50% for Group 4.
Cost of Living Adjustments:	3.0% of the first \$18,000 of retirement income.
Mortality Rates:	
Pre-retirement:	The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017.
Healthy Retiree:	The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.
Disabled Retiree:	The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

The pension plan’s policy in regards to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate rates of expected future real rates of return (expected returns, net pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rates of return by weighing the expected future real rates of return by the target asset allocation percentage and by addition expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	18%	6.2%
International developed markets equity	16%	7.1%
International emerging markets equity	6%	9.4%
Core fixed income	12%	1.7%
High-yield fixed income	10%	4.1%
Real estate	10%	4.9%
Commodities	4%	4.7%
Hedge funds	13%	3.9%
Private equity	12%	10.3%
Total	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis:

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the Plan’s and the Town’s proportionate share of the collective net pension liability assuming it was calculated using a single discount rate that is one percentage-point lower or one-percentage-point higher than the current discount rate at December 31, 2017:

	1.0% Decrease to 6.375%	Current Discount Rate 7.375%	1% Increase to 8.375%
BCRA - Total Plan	\$ 892,516,460	\$ 680,443,471	\$ 502,131,729
Town's proportionate share	\$ 54,231,558	\$ 41,345,467	\$ 30,510,794

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued Barnstable County Retirement Association financial report.

Changes in assumptions and plan provisions - The following assumption changes were reflected in the January 1, 2018 actuarial valuation:

- The mortality tables for healthy participants were changed from the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB2D from 2009 to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables projected generationally using Scale MP-2017.
- The mortality tables for disabled participants were changed from the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015 to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward 1 year projected generationally using Scale MP-2017.
- The long-term salary increase assumption was lowered by 0.25%, to 4.00% for Group 1 participants, 4.25% for Group 2 participants, and 4.50% for Group 4 participants.
- The investment rate of return assumption was reduced from 7.625% to 7.375%.

There were no changes to plan provisions in the January 1, 2018 actuarial valuation.

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 bylaws and their respective collective bargaining agreements. Accumulated unused sick leave, estimate of \$1,121,100, 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 and dental insurance premiums for approximately 325 retirees and their dependents. The cost of retiree's healthcare benefits is recognized as an expenditure as premiums are paid. The Town's fiscal year 2018 costs were approximately \$2,225,000.

Annual OPEB Cost and Net OPEB Obligation

Plan Description:

In addition to the pension benefits previously described, the Town provides health and dental insurance benefits to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the "Plan") in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and Town ordinance. All benefits are provided through the Town's insurance program. The Plan does not issue a stand – alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy:

The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 75 percent of the cost of current-year premiums for healthcare and dental insurance for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25 percent of their premium costs for healthcare, dental and life insurance. For the year ended June 30, 2018, The Town's average contribution rate was 29.26% of covered-employee payroll.

The State of Massachusetts has passed legislation allowing municipal entities to establish a Trust for Other Postemployment Benefits ("OPEB") under M.G.L. Chapter 32B, Section 20 for purposes of accumulating assets to pre-fund the liabilities under GASB 75. This legislation was amended effective November 9, 2016 to clarify who may adopt such a Trust and provide guidance on the ongoing operation of such a Trust. The Town of Sandwich has established an irrevocable trust for the purposes of prefunding liabilities under GASB 74/75.

During 2018, the Town pre-funded future OPEB liabilities totaling approximately \$100,000 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2018, the net position of this fund totaled \$342,262.

Measurement Date:

GASB #74 and GASB #75 require the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016.

Employees Covered by Benefit Terms:

The following table represents the Plan's membership at June 30, 2016:

Active members.....	448
Inactive employees or beneficiaries currently receiving benefits.....	<u>430</u>
Total.....	<u>878</u>

Components of OPEB Liability:

The following table represents the components of the Plan's OPEB liability as of June 30, 2017:

Total OPEB liability	93,219,223
Less: OPEB plan's fiduciary net position	<u>(218,204)</u>
Net OPEB liability	<u>\$ 93,001,019</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability	0.23%

Significant Actuarial Methods and Assumptions:

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, to be in accordance with GASB Statement #74 and #75:

Valuation Date:	June 30, 2016
Actuarial Cost Method:	Entry Age Normal – Level Percentage Payroll
Investment Rate of Return:	7.0%
Inflation Rate:	3.5%
Asset Valuation Method:	Market value
Salary Increases:	Varies by length of service with ultimate rates of 6.00% decreasing over 9 years to an ultimate level of 4.25% for Groups 1 and 2, 7.0% decreasing over 5 years to an ultimate level of 4.75% for Group 4 and 7.5% decreasing over 20 years to an ultimate level of 4.0% for teachers.
Discount Rate:	3.58% as of June 30, 2017 and 2.85% as of June 30, 2016
Health care Trend Rates:	
CCMHG:	Under 65: 10.5% for 1 year, then 7.0% decreasing by 0.5% each year to an ultimate level of 4.5% per year. Over 65: 1.9% for 1 year, then 7.0% decreasing by 0.5% each year to an ultimate level of 4.5% per year.
GIC:	Under 65: 6.8% for 1 year, then 8.5% decreasing by 0.5% each year to an ultimate level of 5.0% per year. Over 65: 1.6% then for 1 year, then 8.5 % decreasing by 0.5% each year to an ultimate level of 4.5% per year.
Dental:	2.1% for year 1, then 4.5% per year.
Part B:	4.5%
Contributions:	Retiree contributions are expected to increase with respective trend shown above.
Mortality Rates:	
Pre-retirement:	Healthy non-teachers: RP-2000 Employee Mortality Table projected generationally with Scale BB2D from 2009. Healthy teachers: RP-2014 White Collar Employee Mortality Table projected generationally with Scale MP-2016.
Postretirement:	Healthy non-teachers: RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2009. Healthy teachers: RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2016. Disabled non-teachers: RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015. Disabled teachers: RP-2014 Healthy Annuitant Mortality Table set forward 4 years and projected generationally with Scale BB2D from 2014.

Rate of return:

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 7.0%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target asset allocation as of June 30, 2017 and the projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in derivation of the long-term expected investment rate of return assumption are summarized below:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	6.44%
International developed markets equity	7.40%
International emerging markets equity	9.42%
Core fixed income	2.02%
High-yield fixed income	4.43%
Real estate	5.00%
Commodities	4.43%
Hedge funds	3.75%
Private equity	10.47%

Discount rate:

The discount rate used to measure the total OPEB liability was 3.58% as of June 30, 2017 and 2.85% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore the long-term expected rate of return on the OPEB plan assets was applied to all periods of projected future benefits payments as of June 30, 2017.

Sensitivity of the net OPEB liability to changes in the discount rate:

The following table presents the Plan's net OPEB liability, calculated using the discount rate of 3.58%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1.0% Decrease to 2.58%	Current Discount Rate 3.58%	1% Increase to 4.58%
Net OPEB Liability	\$ 108,289,295	\$ 93,001,019	\$ 80,745,008

Sensitivity of the net OPEB liability to changes in the healthcare trend:

The following table presents the net other postemployment benefit liability, calculated the healthcare trend rate if it was 1-percentage-point lower or 1- percentage-point higher than the current rate.

	<u>1.0% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 78,938,826	\$ 93,001,019	\$ 80,745,008

Changes of Assumptions:

- The discount rate was increased from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

Changes in Plan Provisions:

There were not any changes in plan provisions in the current year.

Summary of Significant Accounting Policies:

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Changes in the Net OPEB Liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance as of June 30, 2016	\$ 99,074,657	\$ 105,332	\$ 98,969,325
Changes for the year:			
Service cost	4,531,691	-	4,531,691
Interest	2,917,502	-	2,917,502
Differences between expected and actual experience	-	-	-
Changes in assumptions	(10,811,416)	-	(10,811,416)
Contributions - employer	-	2,593,211	(2,593,211)
Net investment income	-	12,872	(12,872)
Benefit payments	(2,493,211)	(2,493,211)	-
Administrative expenses	-	-	-
Net changes	(5,855,434)	112,872	(5,968,306)
Balance as of June 30, 2017	<u>\$ 93,219,223</u>	<u>\$ 218,204</u>	<u>\$ 93,001,019</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended June 30, 2017, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$5,275,637. The Town reported deferred inflows of resources as related to OPEB in the amount of \$8,650,732 (see Note 10). Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	\$ 2,162,683
2020	2,162,683
2021	2,162,683
2022	2,162,683
	<hr/>
	\$ 8,650,732
	<hr/>

Note 12: Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years thereafter. The landfill has stopped accepting solid waste and pursuant to a Massachusetts Department of Environmental Protection consent order, the Town has placed a final cover on its landfill.

As of June 30, 2018, \$840,000 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 13: Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. The Town 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.

Note 14: Commitments and Contingencies

The Town is named as a defendant in several lawsuits at June 30, 2018. In the opinion of the administration, the ultimate resolution of these legal actions will not result in a material loss to the Town. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the Town expects such amounts, if any, to be immaterial.

Note 15: Subsequent Events

Management has evaluated subsequent events through January 28, 2019, which is the date the financial statements were available to be issued.

Note 16: Revision of Net Position

Beginning net position of governmental activities, business-type activities and each applicable enterprise fund has been revised to reflect the implementation of GASB Statement #75, a capital asset prior period restatement, and the reclassification of the Marina fund to an enterprise fund, as adopted.

Government-Wide Financial Statements	07/01/2017 Previously Reported Balances	Implementation of GASB #75	Capital Asset Prior Period Restatement	Reclassification of Marina Fund	07/01/2017 Revised Balances
Governmental activities	\$ 87,048,877	\$ (69,179,299)	\$ (4,389,409)	\$ (3,262,901)	\$ 10,217,268
Business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,262,901</u>	<u>3,262,901</u>
Total	<u>\$ 87,048,877</u>	<u>\$ (69,179,299)</u>	<u>\$ (4,389,409)</u>	<u>\$ -</u>	<u>\$ 13,480,169</u>
Business-type Activities - Enterprise Funds					
Marina enterprise fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,262,901</u>	<u>\$ 3,262,901</u>

Note 17: 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 #75, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, this pronouncement replaces previously issued guidance and establishes new accounting and financial reporting requirements for governments whose employees are provided other post-employment benefits. The basic financials, related notes and required supplementary information were updated to be in compliance with this pronouncement.

The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, the pronouncement issues guidance improving accounting and financial reporting for these agreements which are used by donors to provide resources to two or more beneficiaries, including governments. This pronouncement did not impact the basic financial statements.

The GASB issued Statement #85, *Omnibus 2017*, the objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This pronouncement did not impact the basic financial statements.

The GASB issued Statement #86, *Certain Debt Extinguishments*, the objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. This pronouncement did not impact the basic financial statements.

Future pronouncements

The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is generally required to be implemented in fiscal year 2019. The objective of the Statement is to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #84, *Fiduciary Activities*, which is generally required to be implemented in fiscal year 2020. The objective for this Statement is to improvement guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #87, *Leases*, which is generally required to be implemented in fiscal year 2021. This Statement redefines the manner in which long-term leases are accounted and reported. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is generally required to be implemented in fiscal year 2019. This Statement redefines the term debt and may require additional disclosures. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is generally required to be implemented in fiscal year 2021. This Statement redefines the manner in which interest costs are accounted and reported. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #90, *Majority Equity Interests*, which is generally required to be implemented in fiscal year 2020. This Statement amends GASB Statements #14 and #61 regarding the accounting and financial reporting of majority equity interests. The Town will evaluate the implementation of the pronouncement as applicable.

TOWN OF SANDWICH, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGETARY BASIS - GENERAL FUND - BUDGET TO ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property taxes	58,419,856	58,419,856	58,617,621	197,765
Excise taxes	3,384,500	3,384,500	3,578,478	193,978
Licenses and permits	500,000	500,000	624,002	124,002
Penalties and interest	405,000	405,000	403,816	(1,184)
Investment earnings	30,000	30,000	169,526	139,526
Fees and fines	43,000	43,000	161,618	118,618
Departmental	200,000	200,000	531,810	331,810
Intergovernmental	10,648,332	10,693,865	10,719,267	25,402
Total revenues	<u>73,630,688</u>	<u>73,676,221</u>	<u>74,806,138</u>	<u>1,129,917</u>
Expenditures:				
General government	18,352,120	17,279,185	16,617,825	661,360
Public safety	9,931,017	10,092,822	10,081,633	11,189
Education	37,689,061	34,615,524	34,601,941	13,583
Public works	3,066,610	3,035,995	2,924,147	111,848
Human services	894,945	728,284	675,138	53,146
Culture and recreation	1,668,031	1,549,717	1,477,125	72,592
State and county assessments	7,893,352	7,938,885	7,925,276	13,609
Debt service	2,616,171	2,649,302	2,642,193	7,109
Total expenditures	<u>82,111,307</u>	<u>77,889,714</u>	<u>76,945,278</u>	<u>944,436</u>
Revenues over (under) expenditures	<u>(8,480,619)</u>	<u>(4,213,493)</u>	<u>(2,139,140)</u>	<u>185,481</u>
Other financing sources (uses):				
Transfers in	1,992,801	2,025,932	1,951,384	(74,548)
Transfers out	(350,000)	(350,000)	(350,000)	-
Total other financing sources (uses)	<u>1,642,801</u>	<u>1,675,932</u>	<u>1,601,384</u>	<u>(74,548)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(6,837,818)</u>	<u>(2,537,561)</u>	<u>\$ (537,756)</u>	<u>\$ 110,933</u>
Fund balance, beginning of year				
Fund balance, end of year				
Other budget items:				
Free cash appropriations	2,721,373	2,721,373		
Prior year appropriation deficit	-	-		
Carryover encumbrances	4,016,445	(283,812)		
Release of overlay surplus	100,000	100,000		
Total other budget items	<u>6,837,818</u>	<u>2,537,561</u>		
Net budget	<u>\$ -</u>	<u>\$ -</u>		

See accompanying independent auditors' report.

See accompanying notes to required supplementary information.

TOWN OF SANDWICH, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY BASIS OF ACCOUNTING
YEAR ENDED JUNE 30, 2018

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 budgetary comparison schedule is 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 for the fiscal year ended June 30, 2018 are presented below:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 74,806,138
Stabilization investment income	\$ -	\$ 12,846	12,846
State funded teachers' pension	7,038,888	-	7,038,888
MCWAT subsidy	5,466	-	5,466
GAAP differences in property taxes	(4,946)	-	(4,946)
Revenues on a GAAP basis	<u>\$ 7,039,408</u>	<u>\$ 12,846</u>	<u>\$ 81,858,392</u>
Expenditures on a budgetary basis			\$ 76,945,278
State funded teachers' pension	\$ 7,038,888	\$ -	7,038,888
MCWAT subsidy	5,466	-	5,466
Adjustment for change in accrued expenses	167,846	-	167,846
Expenditures on a GAAP basis	<u>\$ 7,212,200</u>	<u>\$ -</u>	<u>\$ 84,157,478</u>

TOWN OF SANDWICH, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN
YEAR ENDED JUNE 30, 2018

Barnstable County Retirement Association

The Barnstable County Retirement Association (the "Association") is a multiple-employer, costsharing, contributory defined benefit pension plan covering governmental member units, with the exception of school department employees who serve in a teaching capacity. Based upon the actuarial valuation date of 2014, the following is presented:

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Total pension liability	\$ 1,783,937,286	\$ 1,644,743,371	\$ 1,502,651,474
Less: Plan fiduciary net position	(1,103,493,815)	(942,163,721)	(873,002,091)
Net pension liability	<u>\$ 680,443,471</u>	<u>\$ 702,579,650</u>	<u>\$ 629,649,383</u>
Town's proportion of the net pension liability (asset)	6.08%	5.92%	5.83%
Town's proportionate share of the net pension liability (asset)	\$ 41,345,467	\$ 41,586,016	\$ 36,696,482
Town's proportionate share of pension expense	\$ 5,160,194	\$ 6,490,202	\$ 4,154,143
Town's covered-employee payroll	\$ 17,295,209	\$ 16,746,681	\$ 16,161,507
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	239.1%	248.3%	227.1%
Plan fiduciary net position as a percentage of the total pension liability	61.9%	57.3%	58.1%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Actuarially determined contribution	\$ 3,626,159	\$ 3,355,082	\$ 3,147,347
Contributions in relation to the actuarially determined contribution	\$ 3,626,159	\$ 3,355,082	\$ 3,147,347
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 17,295,209	\$ 16,746,681	\$ 16,161,507
Contributions as a percentage of covered-employee payroll	20.97%	20.03%	19.47%

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

See accompanying independent auditors' report.

TOWN OF SANDWICH, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - MTRS PENSIONS
 YEAR ENDED JUNE 30, 2018

Special Funding Situation - MTRS

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer co member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement 68 Accounting for Pensions and the Commonwealth is a nonemployer contributing entity in MTRS (the Plan). Since the Town does not contribute directly to pension liability to recognize for each employer. Based upon the actuarial valuation of the Plan as of June 30, 2014, the following is presented:

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 50,024,000,000	\$ 47,300,000,000	\$ 45,918,711,000
Less: Plan fiduciary net position	(27,138,609,000)	(24,942,072,000)	(25,429,068,000)
Net pension liability	<u>\$ 22,885,391,000</u>	<u>\$ 22,357,928,000</u>	<u>\$ 20,489,643,000</u>
Plan fiduciary net position as a percentage of the total pension liability	54.25%	52.73%	55.38%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Commonwealth's proportionate/allocated share of collective net pension liability associated with the Town	\$ 67,439,796	\$ 66,072,376	\$ 63,257,842
Commonwealth's proportionate share of collective net pension liability as a percent of the the total	0.29468%	0.29552%	0.30873%
Commonwealth's actuarial determined contribution on behalf of the Town	\$ 3,640,876	\$ 3,323,379	\$ 3,155,013
Actuarially determined contributions	\$ 3,640,876	\$ 3,323,379	\$ 3,155,013
Contributions in relation to the actuarial determined contributions	<u>\$ 3,640,876</u>	<u>\$ 3,323,379</u>	<u>\$ 3,155,013</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

See accompanying independent auditors' report.

TOWN OF SANDWICH, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN YEAR ENDED JUNE 30, 2018

Schedule of the Town's Proportionate Share of the Net Pension Liability

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

Schedule of the Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on actuarial valuation results. In addition, the Town may contribute more than the amount required.

Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

Changes in Assumptions:

The mortality tables for healthy participants were changed from the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB2D from 2009 to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables projected generationally using Scale MP-2017.

The mortality tables for disabled participants were changed from the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015 to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward 1 year projected generationally using Scale MP-2017.

The long-term salary increase assumption was lowered by 0.25%, to 4.00% for Group 1 participants, 4.25% for Group 2 participants, and 4.50% for Group 4 participants.

The investment rate of return assumption was reduced from 7.625% to 7.375%.

Changes in Plan Provisions:

None.

TOWN OF SANDWICH, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OTHER POST-EMPLOYMENT BENEFITS
 YEAR ENDED JUNE 30, 2018
 IN ACCORDANCE WITH GASB 74

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFIT LIABILITY

	June 30, 2018	June 30, 2017
Total OPEB Liability		
Service cost	\$ 3,889,401	\$ 4,531,691
Interest	3,430,262	2,917,502
Changes in benefit terms	-	-
Differences between expected and actual experience	-	-
Changes in assumptions	2,270,778	(10,811,416)
Benefit payments	<u>(2,605,405)</u>	<u>(2,493,211)</u>
Net change in total OPEB liability	6,985,036	(5,855,434)
Total OPEB Liability - Beginning	93,219,223	99,074,657
Total OPEB Liability - Ending (a)	<u>\$ 100,204,259</u>	<u>\$ 93,219,223</u>
Plan fiduciary net position		
Contributions - employer	\$ 2,705,405	\$ 2,593,211
Net investment income	24,058	12,872
Benefit payments	(2,605,405)	(2,493,211)
Administrative expenses	-	-
Net change in fiduciary net position	<u>124,058</u>	<u>112,872</u>
Plan fiduciary net position - Beginning	218,204	105,332
Plan fiduciary net position - Ending (b)	<u>\$ 342,262</u>	<u>\$ 218,204</u>
Town's net OPEB Liability - ending (a)-(b)	<u>\$ 99,861,997</u>	<u>\$ 93,001,019</u>
Plan fiduciary net position as a percent of total OPEB liability	0.34%	0.23%
Covered-employee payroll	\$ 17,295,209	\$ 16,746,681
Plan's net OPEB liability as a percentage of covered-employee payroll	577.40%	555.34%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS

Actuarially determined contribution	\$ 5,060,177	\$ 4,889,060
Contributions in relation to the actuarially determined contribution	<u>2,705,405</u>	<u>2,593,211</u>
Contribution deficiency (excess)	<u>\$ 2,354,772</u>	<u>\$ 2,295,849</u>
Covered employee payroll	\$ 17,295,209	\$ 16,746,681
Contributions as a percentage of covered employee payroll	29.26%	29.19%

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

See accompanying independent auditors' report.

TOWN OF SANDWICH, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POST-EMPLOYMENT BENEFITS PLAN
YEAR ENDED JUNE 30, 2018

The Town administers a single-employer defined benefit healthcare plan (“the Other Post Employment Benefit Plan”). The plan provides lifetime healthcare and dental insurance for eligible retirees and their spouses through the Town’s health insurance plan, which covers both active and retired members, including teachers.

The Other Postemployment Benefit Plan

Schedule of the Town’s Proportionate Share of the Net Other Postemployment Benefit Liability

The Schedule of the Town’s Proportionate Share of the Net Other Postemployment Benefit Liability details the Plan’s net other postemployment benefit liability (asset) and the covered employee payroll. It also demonstrates the Plan’s net position as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered payroll.

Schedule of the Town’s Contributions

The Schedule of the Town’s Contributions includes the Town’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

Changes in Assumptions:

The discount rate was increased from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

Changes in Plan Provisions:

None.



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www.lockelord.com

(Date of Delivery)

William Jennings, Treasurer
Town of Sandwich
Sandwich, Massachusetts

\$21,095,000*
Town of Sandwich, Massachusetts
General Obligation Municipal Purpose Loan of 2019 Bonds
Dated March 7, 2019

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

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

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

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all

* Preliminary; subject to change.

requirements of the Internal Revenue Code of 1986, as amended (the “Code”) that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

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

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

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

LOCKE LORD LLP

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Sandwich, Massachusetts (the “Issuer”) in connection with the issuance of its \$21,095,000* General Obligation Municipal Purpose Loan of 2019 Bonds dated March 7, 2019 (the “Bonds”). The Issuer covenants and agrees as follows:

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

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

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

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

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

“Obligated Person” shall mean the Issuer.

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

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

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

SECTION 3. Provision of Annual Reports.

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

* Preliminary; subject to change.

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

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

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

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated February 13, 2019 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

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

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

SECTION 5. Reporting of Significant Events.

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

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

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

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

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

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

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

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

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

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

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

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

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

Date: March 7, 2019

TOWN OF SANDWICH,
MASSACHUSETTS

By: _____
Treasurer

Selectmen

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

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PROPOSAL FOR BONDS

William Jennings, Treasurer/Collector
 Town of Sandwich, Massachusetts
 c/o Hilltop Securities Inc.
 54 Canal Street, 3rd Floor
 Boston, Massachusetts 02114

February 13, 2019

Dear Mr. Jennings:

For \$21,095,000* Town of Sandwich, Massachusetts, General Obligation Municipal Purpose Loan of 2019 Bonds, as further described in your Notice of Sale dated February 6, 2019, which Notice of Sale is hereby made a part of this proposal, we bid.....and accrued interest to date of delivery for each \$100 par value of bonds, bearing interest at the rate or rates per annum as follows:

<u>Maturity Year</u>	<u>Rate</u>	<u>Maturity Year</u>	<u>Rate</u>
2020	..... %	2035 ** %
2021	2036 **	.....
2022	2037 **	.....
2023	2038 **	.....
2024	2039 **	.....
2025	2040 **	.....
2026	2041 **	.....
2027	2042 **	.....
2028	2043 **	.....
2029 **	2044 **	.....
2030 **	2045 **	.....
2031 **	2046 **	.....
2032 **	2047 **	.....
2033 **	2048 **	.....
2034 **		

**TERM BONDS (Optional – No more than three Term Bonds.)

<u>First Year of Mandatory Redemption</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

If Term Bond(s) are included in this bid, they shall be subject to the restrictions and mandatory redemption requirements set forth in Notice of Sale.

The undersigned hereby acknowledges receipt of the Preliminary Official Statement referred to in the aforementioned Notice of Sale.

INSURED BY: _____

TOTAL PREMIUM: _____

 Syndicate Manager

 Syndicate Manager Address

Telephone: _____

Fax: _____

The following is our computation of the net interest cost and percent true interest cost calculated in accordance with the Notice of Sale, is for informational purposes only, and is subject to verification prior to award.

Gross Interest Cost	\$ _____	
Underwriters Premium	\$ _____	Bids must include a premium of at least \$115,000.
Net Interest Cost	\$ _____	
Percent True Interest Cost	_____ %	
	(four decimals)	

Hilltop Securities Inc. would be pleased to assist you in entering your bid on these Bonds if you will mail or fax your signed bid form in advance and telephone figures about one-half hour before the time of sale. The Town and Hilltop Securities Inc., are not responsible for errors in bids submitted in this manner.

**TELEPHONE (617) 619-4400
 FAX (617) 619-4411
 HILLTOP SECURITIES INC.**

*Preliminary, subject to change.