

TOWN OF BOURNE, MASSACHUSETTS

**INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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Independent Auditors' Report



Certified Public Accountants

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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Bourne, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bourne, Massachusetts, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Bourne, Massachusetts' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bourne, Massachusetts, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2011, on our consideration of the Town of Bourne, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 13) and budgetary comparison and certain pension information (located on pages 59 through 63) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink, appearing to read "Sullivan, T. & Co., LLC". The signature is written in a cursive, flowing style.

March 11, 2011

Management's Discussion and Analysis

As management of the Town of Bourne, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2010.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$100,349,008 (net assets). Of this amount, \$18,094,611 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$1,105,240.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$18,518,347, an increase of \$1,769,541 in comparison with the prior year. Approximately \$17,414,000 represents unreserved fund balance of the general fund, community preservation fund, nonmajor special revenue and permanent funds. The Elementary School Construction major fund deficit (\$1,213,489) and nonmajor governmental capital projects funds' deficit (\$630,588) will be funded in future fiscal years via long-term debt and state grant reimbursements.
- At the end of the fiscal year, undesignated fund balance for the general fund totaled \$5,516,597, or 9.8 percent of total general fund expenditures and transfers out.
- The Town's total bonded debt decreased by \$3,747,243 during the fiscal year.

Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements.

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 assets** presents information on all of the Town's non-fiduciary assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, earned but unused vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest). Business-type activities include the Town's sewer and landfill operations.

The government-wide financial statements can be found on pages 15-17 of this report.

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 can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. Fiduciary funds

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 12 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, community preservation (special revenue) and elementary school construction (capital project) funds, each of which are considered to be major funds. Data from the other 9 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental fund financial statements can be found on pages 18-23 of this report.

Proprietary funds

The Town maintains two types of proprietary funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer and landfill operations, both of which are considered to be major funds.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for its health insurance risk-financing activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements but are combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 24-26 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 statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

Notes to the basic 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 can be found on pages 29-57 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension information, which can be found on pages 59-63.

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements.

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$100,349,008 at the close of the fiscal year and are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current assets.....	\$ 35,331,044	\$ 33,140,854	\$ 6,535,801	\$ 7,061,022	\$ 41,866,845	\$ 40,201,876
Noncurrent assets (excluding capital assets).....	7,529,344	8,218,618	4,555,352	3,757,425	12,084,696	11,976,043
Capital assets (net).....	95,109,996	94,953,331	15,617,580	16,088,433	110,727,576	111,041,764
Total assets.....	137,970,384	136,312,803	26,708,733	26,906,880	164,679,117	163,219,683
Liabilities						
Current liabilities (excluding debt).....	4,978,119	5,459,962	295,158	652,079	5,273,277	6,112,041
Noncurrent liabilities (excluding debt).....	7,219,834	4,503,025	3,997,478	3,398,086	11,217,312	7,901,111
Current debt.....	8,844,557	7,460,558	1,331,495	1,638,850	10,176,052	9,099,408
Noncurrent debt.....	31,174,690	33,674,082	6,488,778	7,189,273	37,663,468	40,863,355
Total liabilities.....	52,217,200	51,097,627	12,112,909	12,878,288	64,330,109	63,975,915
Net Assets						
Invested in capital assets (net of related debt).....	66,591,373	66,059,306	10,063,902	10,146,566	76,655,275	76,205,872
Restricted.....	5,599,122	5,240,208	-	-	5,599,122	5,240,208
Unrestricted.....	13,562,689	13,915,662	4,531,922	3,882,026	18,094,611	17,797,688
Total net assets.....	\$ 85,753,184	\$ 85,215,176	\$ 14,595,824	\$ 14,028,592	\$ 100,349,008	\$ 99,243,768

The largest portion of the Town's net assets (76.4%) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery and equipment, and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the 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 assets (5.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (18.0% or \$18,094,611) may be used to meet the Town's ongoing obligations to citizens and creditors. Of this amount, \$13,562,689 may be used to support governmental activities and \$4,531,922 may be used to support business-type activities.

Changes in Net Assets

For the fiscal year ended June 30, 2010, the Town's total net assets increased by \$1,105,240, compared to an increase of \$372,138 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 4,832,052	\$ 4,433,915	\$ 11,680,936	\$ 8,860,806	\$ 16,512,988	\$ 13,294,721
Operating grants and contributions.....	13,655,314	13,980,017	98,483	37,680	13,753,797	14,017,697
Capital grants and contributions.....	3,396,285	6,667,537	-	-	3,396,285	6,667,537
<i>General Revenues:</i>						
Real estate, personal property taxes and liens.....	34,557,966	33,685,674	-	-	34,557,966	33,685,674
Motor vehicle and other excise taxes.....	2,003,284	2,294,799	-	-	2,003,284	2,294,799
Penalties and interest on taxes.....	330,900	299,483	-	-	330,900	299,483
Payments in lieu of taxes.....	10,245	13,998	-	-	10,245	13,998
Community preservation surcharges.....	1,014,170	985,939	-	-	1,014,170	985,939
Grants and contributions not restricted to specific programs.....	2,120,401	2,566,691	-	-	2,120,401	2,566,691
Unrestricted investment income.....	121,484	253,462	-	-	121,484	253,462
Premium from issuance of bonds and notes.....	88,384	32,822	-	-	88,384	32,822
Gain/(loss) on sale of capital assets.....	-	357,930	-	(22,914)	-	335,016
Other.....	34,999	42,901	-	-	34,999	42,901
Total revenues.....	62,165,484	65,615,168	11,779,419	8,875,572	73,944,903	74,490,740
Expenses						
General government.....	4,109,705	4,285,360	-	-	4,109,705	4,285,360
Public safety.....	12,399,238	12,762,491	-	-	12,399,238	12,762,491
Education.....	39,606,341	39,779,038	-	-	39,606,341	39,779,038
Public works.....	3,576,965	3,740,548	-	-	3,576,965	3,740,548
Health and human services.....	1,551,764	1,345,358	-	-	1,551,764	1,345,358
Culture and recreation.....	1,787,214	1,663,544	-	-	1,787,214	1,663,544
Debt service - interest.....	1,447,178	1,469,492	-	-	1,447,178	1,469,492
Sewer.....	-	-	912,735	958,765	912,735	958,765
Landfill.....	-	-	7,448,523	8,114,006	7,448,523	8,114,006
Total expenses.....	64,478,405	65,045,831	8,361,258	9,072,771	72,839,663	74,118,602
Change in net assets before transfers.....	(2,312,921)	569,337	3,418,161	(197,199)	1,105,240	372,138
Transfers, net.....	2,850,929	2,926,653	(2,850,929)	(2,926,653)	-	-
Change in net assets.....	538,008	3,495,990	567,232	(3,123,852)	1,105,240	372,138
Net assets - beginning of year.....	85,215,176	81,719,186	14,028,592	17,152,444	99,243,768	98,871,630
Net assets - end of year.....	\$ 85,753,184	\$ 85,215,176	\$ 14,595,824	\$ 14,028,592	\$ 100,349,008	\$ 99,243,768

Governmental activities increased the Town's net assets by \$538,008. In the prior year, governmental activities increased the Town's net assets by \$3,495,990. The key element of this change is the decrease in capital grants and contributions received related to the elementary school construction project.

Business-type activities increased the Town's net assets by \$567,232. In the prior year, business-type activities decreased the Town's net assets by \$3,123,852. The key elements of this change is a decrease in expenditures, the majority related to cost of service and administration due to the leachate removal, and a substantial increase in fees collected at the landfill, which is a reflection of the current market conditions and newly entered contracts.

Fund Financial Statement 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 governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$18,518,347, an increase of \$1,769,541 in comparison with the prior year. Approximately \$11,680,000 represents undesignated fund balance of the general fund, community preservation fund, nonmajor special revenue and permanent funds. The Elementary School Construction major fund deficit (\$1,213,489) and nonmajor governmental capital projects funds' deficit (\$630,588) will be funded in future fiscal years via long-term debt and state grant reimbursements. The remainder of fund balance is designated or reserved to indicate that it is not available for new spending because it has already been committed to:

- Liquidate contracts and purchase orders of the prior period (\$1,653,271)
- Perpetual permanent funds (\$46,541)
- Other specific purposes (\$1,248,425)
- Stabilization (\$3,953,070)
- Fund a portion of the fiscal year 2011 operating budget (\$1,780,737)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, undesignated fund balance of the general fund totaled \$5,516,597, while total fund balance was \$8,950,605. As a measure of the general fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total general fund expenditures and transfers out. Undesignated fund balance represents 9.8% of total general fund expenditures and transfers out, while total fund balance represents 15.9% of that same amount.

The balance of the Town's general fund increased by \$397,268 during fiscal year 2010. Although the Town recognized an approximate \$2,996,000 budgetary surplus (excluding encumbrances and continuing appropriations), approximately \$2,696,000 of reserves was utilized for spending during the year.

Financial highlights of the Town's other major governmental funds are as follows:

The fund balance of the community preservation fund (special revenue) increased by \$190,058 during the current fiscal year. The fund's receipts included community preservation surcharges (\$997,762), intergovernmental revenue (\$384,571) and investment income (\$25,041). Expenditures totaling approximately \$619,000 were incurred during the year and a transfer of \$632,222 was made to the general fund to cover community preservation related debt service.

The fund balance of the elementary school construction fund increased by \$1,469,523 during the current fiscal year. The fund incurred expenditures of \$2,145,283 related to construction and received a portion of the Massachusetts School Building Authority's capital grant totaling \$3,614,806.

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the sewer and landfill enterprise funds at the end of the year amounted to \$654,576 and \$3,877,346, respectively. The sewer fund had a decrease in net assets for the year of \$212,388, whereas the landfill fund had an increase of \$779,620. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original general fund budget of \$53,099,875 was decreased by \$508,045 (0.9%) during the fiscal year. The following table summarizes the decrease:

Purpose of Increase/Decrease	Amount	Funding Source
Department of Natural Resources equipment.....	\$ 138,423	Waterways special revenue fund
Safety signals and equipment for railroad tracks at Monument Beach.....	88,312	Transfer from stabilization fund
Demolition of structures.....	30,000	Undesignated fund balance
Purchase of land in Pocasset.....	20,000	Undesignated fund balance
Shellfish propagation.....	20,000	Undesignated fund balance
Unpaid bills.....	4,170	Undesignated fund balance
Futures working group salaries and expenses.....	(300)	Decrease to tax levy
Waste water committee salaries and expenses.....	(350)	Decrease to tax levy
Town administrator salaries and expenses.....	(3,950)	Decrease to tax levy
Council on Aging expenses.....	(4,000)	Decrease to tax levy
Library salaries and expenses.....	(5,000)	Decrease to tax levy
Recreation department expenses.....	(6,000)	Decrease to tax levy
Lifeguard salaries.....	(6,000)	Decrease to tax levy
Planning board expenses.....	(6,000)	Decrease to tax levy
Economic development expenses.....	(6,000)	Decrease to tax levy
Department of Public Works salaries and expenses.....	(15,000)	Decrease to tax levy
Finance department salaries.....	(20,400)	Decrease to tax levy
Debt service principal.....	(21,000)	Decrease to tax levy
Fire department salaries and expenses.....	(22,000)	Decrease to tax levy
Police department salaries.....	(25,000)	Decrease to tax levy
Department of Natural Resources expenses.....	(30,000)	Decrease to tax levy
General liability insurance.....	(38,000)	Decrease to tax levy
Police department salaries.....	(40,000)	Decrease to tax levy
Group insurance expenses.....	(60,000)	Decrease to tax levy
Bourne Public School budget.....	(499,950)	Decrease to tax levy
Total increase/decrease.....	\$ (508,045)	

During the year, revenues and other financing sources (uses) exceeded budgetary estimates, while expenditures, encumbrances and continuing appropriations were less than budgeted appropriations, resulting in a positive budget to actual variance of approximately \$1,343,000.

Capital Asset and Debt Administration**Capital assets**

The Town's investment in capital assets for its governmental and business-type activities at the end of the fiscal year totaled \$110,727,576 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment, other and infrastructure. The total decrease in the investment in capital assets for the current fiscal year totaled 0.3% (a 0.1% increase for governmental activities and a 0.4% decrease for business-type activities).

Major capital asset events that occurred during the current fiscal year include the following:

- Bournedale elementary school building (\$2,145,284)
- Landfill liner (\$692,722)
- Roadway improvements (\$521,190)
- Ambulance purchase (\$150,000)
- ISWM equipment (\$133,421)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2010	2009	2010	2009	2010	2009
Land.....	\$ 25,849,345	\$ 25,849,345	\$ 2,209,658	\$ 2,209,658	\$ 28,059,003	\$ 28,059,003
Construction in progress.....	8,199	22,982,245	1,347,906	2,849,419	1,356,105	25,831,664
Land improvements.....	2,325,611	2,463,532	2,638,322	1,073,499	4,963,933	3,537,031
Buildings and improvements.....	59,573,491	36,591,292	3,654,421	3,822,102	63,227,912	40,413,394
Machinery and equipment.....	3,680,685	3,935,566	1,664,963	1,776,161	5,345,648	5,711,727
Other.....	-	-	69,874	139,749	69,874	139,749
Infrastructure.....	3,672,665	3,131,351	4,032,436	4,217,845	7,705,101	7,349,196
Total capital assets.....	\$ 95,109,996	\$ 94,953,331	\$ 15,617,580	\$ 16,088,433	\$ 110,727,576	\$ 111,041,764

Additional information on the Town's capital assets can be found in Note 5 on pages 43-45 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$42,215,520, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2010	2009	2010	2009	2010	2009
General obligation bonds.....	\$ 34,151,315	\$ 36,693,465	\$ 7,325,000	\$ 8,417,000	\$ 41,476,315	\$ 45,110,465
MWPAT notes.....	410,932	441,175	328,273	411,123	739,205	852,298
Total bonds and notes.....	\$ 34,562,247	\$ 37,134,640	\$ 7,653,273	\$ 8,828,123	\$ 42,215,520	\$ 45,962,763

The Town's total bonded debt decreased by \$3,747,243 (8.2%) during the current fiscal year.

The Town has an AA-1 rating from Standard & Poor's for its most recent issuance of debt on September 14, 2010.

Additional information on the Town's long-term debt can be found in Note 8 on pages 47-52 of this report.

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 its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town Hall, 24 Perry Avenue, Bourne, Massachusetts 02532.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 17,520,131	\$ 2,983,158	\$ 20,503,289
Restricted cash and cash equivalents.....	9,646,845	1,719,308	11,366,153
Investments.....	1,937,571	-	1,937,571
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	2,086,517	-	2,086,517
Tax liens.....	354,352	85,946	440,298
Motor vehicle and other excise taxes.....	371,126	-	371,126
Community preservation surcharges.....	60,998	-	60,998
User charges.....	-	1,692,914	1,692,914
Special assessments.....	12,989	6,135	19,124
Departmental and other.....	486,066	-	486,066
Intergovernmental.....	1,400,476	48,340	1,448,816
Working capital deposit.....	1,300,800	-	1,300,800
Assets held for resale.....	153,173	-	153,173
Total current assets.....	35,331,044	6,535,801	41,866,845
Noncurrent assets:			
Restricted cash and cash equivalents.....	-	4,270,039	4,270,039
Receivables, net of allowance for uncollectible amounts:			
Real estate tax deferrals.....	60,191	-	60,191
Special assessments.....	217,957	164,366	382,323
Intergovernmental.....	6,730,704	120,947	6,851,651
Tax foreclosures.....	520,492	-	520,492
Capital assets not being depreciated.....	25,857,544	3,557,564	29,415,108
Capital assets, net of accumulated depreciation.....	69,252,452	12,060,016	81,312,468
Total noncurrent assets.....	102,639,340	20,172,932	122,812,272
Total assets.....	137,970,384	26,708,733	164,679,117
LIABILITIES			
Current liabilities:			
Warrants payable.....	1,879,119	166,974	2,046,093
Accrued payroll.....	1,620,603	24,568	1,645,171
Tax refunds payable.....	110,281	-	110,281
Other liabilities.....	31,495	-	31,495
Accrued interest.....	396,915	88,479	485,394
Accrued health claims payable.....	728,836	-	728,836
Compensated absences.....	210,870	15,137	226,007
Short-term notes payable.....	5,457,000	167,000	5,624,000
Long-term bonds and notes payable.....	3,387,557	1,164,495	4,552,052
Total current liabilities.....	13,822,676	1,626,653	15,449,329
Noncurrent liabilities:			
Net OPEB obligation.....	5,322,004	325,261	5,647,265
Landfill closure.....	-	3,535,986	3,535,986
Compensated absences.....	1,897,830	136,231	2,034,061
Long-term bonds and notes payable.....	31,174,690	6,488,778	37,663,468
Total noncurrent liabilities.....	38,394,524	10,486,256	48,880,780
Total liabilities.....	52,217,200	12,112,909	64,330,109
NET ASSETS			
Invested in capital assets, net of related debt.....	66,591,373	10,063,902	76,655,275
Restricted for:			
Community preservation.....	4,249,211	-	4,249,211
Permanent funds:			
Expendable.....	54,945	-	54,945
Nonexpendable.....	46,541	-	46,541
Other specific purposes.....	1,248,425	-	1,248,425
Unrestricted.....	13,562,689	4,531,922	18,094,611
Total net assets.....	\$ 85,753,184	\$ 14,595,824	\$ 100,349,008

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government.....	\$ 4,109,705	\$ 392,393	\$ 212,372	\$ -	\$ (3,504,940)
Public safety.....	12,399,238	3,514,896	120,676	-	(8,763,666)
Education.....	39,606,341	734,436	12,619,338	2,376,501	(23,876,066)
Public works.....	3,576,965	39,674	56,798	635,213	(2,845,280)
Health and human services.....	1,551,764	73,245	238,563	-	(1,239,956)
Culture and recreation.....	1,787,214	77,408	22,359	384,571	(1,302,876)
Debt service - interest.....	1,447,178	-	385,208	-	(1,061,970)
Total governmental activities.....	64,478,405	4,832,052	13,655,314	3,396,285	(42,594,754)
Business-type activities:					
Sewer.....	912,735	829,630	3,464	-	(79,641)
Landfill.....	7,448,523	10,851,306	95,019	-	3,497,802
Total business-type activities.....	8,361,258	11,680,936	98,483	-	3,418,161
Total primary government.....	\$ 72,839,663	\$ 16,512,988	\$ 13,753,797	\$ 3,396,285	\$ (39,176,593)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense)/revenue (from previous page).....	\$ (42,594,754)	\$ 3,418,161	\$ (39,176,593)
<i>General revenues:</i>			
Real estate, personal property taxes and tax liens.....	34,557,966	-	34,557,966
Motor vehicle and other excise taxes.....	2,003,284	-	2,003,284
Penalties and interest on taxes.....	330,900	-	330,900
Payments in lieu of taxes.....	10,245	-	10,245
Community preservation surcharges.....	1,014,170	-	1,014,170
Grants and contributions not restricted to specific programs.....	2,120,401	-	2,120,401
Unrestricted investment income.....	121,484	-	121,484
Premium from issuance of bonds and notes.....	88,384	-	88,384
Other.....	34,999	-	34,999
<i>Transfers, net</i>	2,850,929	(2,850,929)	-
Total general revenues and transfers.....	43,132,762	(2,850,929)	40,281,833
Change in net assets.....	538,008	567,232	1,105,240
Net assets - beginning of year.....	85,215,176	14,028,592	99,243,768
Net assets - end of year.....	\$ 85,753,184	\$ 14,595,824	\$ 100,349,008

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2010

ASSETS	General	Community Preservation	Elementary School Construction
Cash and cash equivalents.....	\$ 10,979,809	\$ -	\$ -
Investments.....	-	-	-
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	2,086,517	-	-
Real estate tax deferrals.....	60,191	-	-
Tax liens.....	345,924	8,428	-
Motor vehicle and other excise taxes.....	371,126	-	-
Community preservation surcharges.....	-	60,998	-
Special assessments.....	6,371	-	-
Departmental and other.....	-	-	-
Intergovernmental.....	7,476,349	-	327,588
Tax foreclosures.....	520,492	-	-
Restricted assets:			
Cash and cash equivalents.....	-	4,232,919	2,458,923
TOTAL ASSETS.....	\$ 21,846,779	\$ 4,302,345	\$ 2,786,511
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 578,632	\$ 44,706	\$ -
Accrued payroll.....	1,610,744	-	-
Tax refunds payable.....	110,281	-	-
Other liabilities.....	31,495	-	-
Deferred revenue.....	10,506,514	69,426	-
Accrued short-term interest.....	58,508	-	-
Short-term notes payable.....	-	-	4,000,000
TOTAL LIABILITIES.....	12,896,174	114,132	4,000,000
FUND BALANCES:			
Reserved for:			
Encumbrances and continuing appropriations.....	1,653,271	-	-
Perpetual permanent funds.....	-	-	-
Other specific purposes.....	-	-	-
Unreserved:			
Designated for stabilization.....	-	-	-
Designated for subsequent year's expenditures.....	1,780,737	-	-
Undesignated, reported in:			
General fund.....	5,516,597	-	-
Special revenue funds.....	-	4,188,213	-
Capital projects funds.....	-	-	(1,213,489)
Permanent funds.....	-	-	-
TOTAL FUND BALANCES.....	8,950,605	4,188,213	(1,213,489)
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 21,846,779	\$ 4,302,345	\$ 2,786,511

See notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,902,245	\$ 13,882,054
1,937,571	1,937,571
-	2,086,517
-	60,191
-	354,352
-	371,126
-	60,998
224,575	230,946
486,066	486,066
327,243	8,131,180
-	520,492
<u>2,955,003</u>	<u>9,646,845</u>
\$ <u>8,832,703</u>	\$ <u>37,768,338</u>

\$ 62,184	\$ 685,522
9,859	1,620,603
-	110,281
-	31,495
710,642	11,286,582
-	58,508
<u>1,457,000</u>	<u>5,457,000</u>
<u>2,239,685</u>	<u>19,249,991</u>

-	1,653,271
46,541	46,541
1,248,425	1,248,425
3,953,070	3,953,070
-	1,780,737
-	5,516,597
1,920,625	6,108,838
(630,588)	(1,844,077)
<u>54,945</u>	<u>54,945</u>
<u>6,593,018</u>	<u>18,518,347</u>
\$ <u>8,832,703</u>	\$ <u>37,768,338</u>

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	Community Preservation	Elementary School Construction
REVENUES			
Real estate and personal property taxes.....	\$ 34,052,521	\$ -	\$ -
Motor vehicle and other excise taxes.....	1,959,597	-	-
Tax liens.....	208,235	6,804	-
Payments in lieu of taxes.....	10,245	-	-
Community preservation surcharges.....	-	997,762	-
Charges for services.....	-	-	-
Intergovernmental	13,199,374	384,571	3,614,806
Special assessments.....	1,356	-	-
Penalties and interest on taxes.....	325,183	5,717	-
Licenses and permits.....	467,770	-	-
Fines and forfeitures.....	139,500	-	-
Departmental and other.....	1,554,520	341	-
Contributions.....	-	-	-
Investment income.....	81,835	25,041	-
TOTAL REVENUES.....	52,000,136	1,420,236	3,614,806
EXPENDITURES			
Current:			
General government.....	2,489,949	11,474	-
Public safety.....	7,848,629	-	-
Education.....	21,667,268	-	2,145,283
Public works.....	2,114,703	-	-
Health and human services.....	838,568	327,695	-
Culture and recreation.....	823,046	279,740	-
Pension benefits.....	6,941,655	-	-
Employee benefits.....	6,427,588	-	-
Property and liability insurance.....	802,815	-	-
State and county charges.....	2,332,919	-	-
Debt service:			
Principal.....	2,572,393	-	-
Interest.....	1,402,104	-	-
TOTAL EXPENDITURES.....	56,261,637	618,909	2,145,283
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(4,261,501)	801,327	1,469,523
OTHER FINANCING SOURCES (USES)			
Transfers in.....	4,643,928	20,953	-
Premium from issuance of bonds and notes.....	88,384	-	-
Transfers out.....	(73,543)	(632,222)	-
TOTAL OTHER FINANCING SOURCES (USES).....	4,658,769	(611,269)	-
NET CHANGE IN FUND BALANCES.....	397,268	190,058	1,469,523
FUND BALANCES AT BEGINNING OF YEAR.....	8,553,337	3,998,155	(2,683,012)
FUND BALANCES AT END OF YEAR.....	\$ 8,950,605	\$ 4,188,213	\$ (1,213,489)

See notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 34,052,521
-	1,959,597
-	215,039
-	10,245
-	997,762
2,685,240	2,685,240
3,567,139	20,765,890
-	1,356
-	330,900
-	467,770
-	139,500
141,966	1,696,827
141,460	141,460
48,193	155,069
<u>6,583,998</u>	<u>63,619,176</u>
172,383	2,673,806
1,026,827	8,875,456
3,372,324	27,184,875
1,007,441	3,122,144
99,647	1,265,910
84,497	1,187,283
-	6,941,655
-	6,427,588
-	802,815
-	2,332,919
-	2,572,393
-	1,402,104
<u>5,763,119</u>	<u>64,788,948</u>
<u>820,879</u>	<u>(1,169,772)</u>
456,957	5,121,838
-	88,384
<u>(1,565,144)</u>	<u>(2,270,909)</u>
<u>(1,108,187)</u>	<u>2,939,313</u>
(287,308)	1,769,541
<u>6,880,326</u>	<u>16,748,806</u>
<u>\$ 6,593,018</u>	<u>\$ 18,518,347</u>

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2010

Total governmental fund balances (page 19).....	\$ 18,518,347
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....	95,109,996
Assets held for resale in governmental activities are not financial resources and, therefore, are not reported in the government funds.....	153,173
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....	11,286,582
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....	(338,407)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds and notes payable.....	(34,562,247)
Compensated absences.....	(2,108,700)
Net OPEB obligation.....	(5,322,004)
Internal service funds are used by management to account for health insurance activities. The assets and liabilities of the internal service funds are reported as governmental activities in the statement of net assets.....	<u>3,016,444</u>
Net assets of governmental activities (page 15).....	<u>\$ 85,753,184</u>

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (page 21).....	\$ 1,769,541
<p>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. These amounts represent the related activity of the current period.</p>	
Capital outlays.....	4,063,103
Depreciation.....	(3,897,807)
<p>In the statement of activities, only the <i>loss</i> on the disposals of capital assets is reported, whereas in the governmental funds the entire proceeds of the disposal are reported as financial resources. As a result, the change in net assets differs from the change in fund balance by the net book value of the capital assets disposed.....</p>	
	(8,631)
<p>Governmental funds report outlays for assets held for resale as expenditures. However, in the statement of activities assets held for resale are retained in their entirety until the asset is sold. This amount represents the current outlay for assets held for resale.....</p>	
	153,173
<p>Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>	
	(1,542,076)
<p>The issuance of long-term debt (e.g., bonds and leases) 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 transaction, however, has any impact on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the related activity of the current period.</p>	
Bond maturities.....	2,572,393
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.....</p>	
	(45,074)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net change:</p>	
Compensated absences.....	15,346
Net OPEB obligation.....	(2,730,620)
<p>Internal service funds are used by management to account for health insurance activities. The net activity of the internal service funds is reported with governmental activities.....</p>	
	188,660
Changes in net assets of governmental activities (page 17).....	\$ 538,008

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS**

JUNE 30, 2010

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
ASSETS	Sewer	Landfill	Total	
Current assets:				
Cash and cash equivalents.....	\$ 332,831	\$ 2,650,327	\$ 2,983,158	\$ 3,638,077
Restricted cash and cash equivalents.....	81,118	1,638,190	1,719,308	-
Receivables, net of allowance for uncollectible amounts:				
User charges.....	129,559	1,563,355	1,692,914	-
Utility liens.....	85,946	-	85,946	-
Special assessments.....	6,135	-	6,135	-
Intergovernmental.....	48,340	-	48,340	-
Working capital deposit.....	-	-	-	1,300,800
Total current assets.....	683,929	5,851,872	6,535,801	4,938,877
Noncurrent assets:				
Restricted cash and cash equivalents.....	-	4,270,039	4,270,039	-
Receivables, net of allowance for uncollectible amounts:				
Special assessments.....	164,366	-	164,366	-
Intergovernmental.....	120,947	-	120,947	-
Capital assets not being depreciated.....	-	3,557,564	3,557,564	-
Capital assets, net of accumulated depreciation.....	4,123,085	7,936,931	12,060,016	-
Total noncurrent assets.....	4,408,398	15,764,534	20,172,932	-
Total assets.....	5,092,327	21,616,406	26,708,733	4,938,877
LIABILITIES				
Current liabilities:				
Warrants payable.....	2,515	164,459	166,974	1,193,597
Accrued payroll.....	2,515	22,053	24,568	-
Accrued interest.....	2,010	86,469	88,479	-
Accrued health claims payable.....	-	-	-	728,836
Compensated absences.....	2,895	12,242	15,137	-
Short-term notes payable.....	-	167,000	167,000	-
Long-term bonds and notes payable.....	128,495	1,036,000	1,164,495	-
Total current liabilities.....	138,430	1,488,223	1,626,653	1,922,433
Noncurrent liabilities:				
Net OPEB obligation.....	28,275	296,986	325,261	-
Landfill closure.....	-	3,535,986	3,535,986	-
Compensated absences.....	26,051	110,180	136,231	-
Long-term bonds and notes payable.....	344,778	6,144,000	6,488,778	-
Total noncurrent liabilities.....	399,104	10,087,152	10,486,256	-
Total liabilities.....	537,534	11,575,375	12,112,909	1,922,433
NET ASSETS				
Invested in capital assets, net of related debt.....	3,900,217	6,163,685	10,063,902	-
Unrestricted.....	654,576	3,877,346	4,531,922	3,016,444
Total net assets.....	\$ 4,554,793	\$ 10,041,031	\$ 14,595,824	\$ 3,016,444

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Sewer</u>	<u>Landfill</u>	<u>Total</u>	
OPERATING REVENUES				
Charges for services.....	\$ 818,945	\$ 10,851,306	\$ 11,670,251	\$ -
Penalties and interest.....	10,685	-	10,685	-
Employer contributions.....	-	-	-	5,936,785
Employee contributions.....	-	-	-	1,991,938
Other.....	-	-	-	906,893
TOTAL OPERATING REVENUES.....	829,630	10,851,306	11,680,936	8,835,616
OPERATING EXPENSES				
Cost of service and administration.....	429,973	5,537,418	5,967,391	-
Town of Wareham capital assessment.....	188,478	-	188,478	-
Repairs and maintenance.....	24,189	16,082	40,271	-
Depreciation.....	267,382	1,191,031	1,458,413	-
Closure costs.....	-	442,558	442,558	-
Employee benefits.....	-	-	-	8,849,122
TOTAL OPERATING EXPENSES.....	910,022	7,187,089	8,097,111	8,849,122
OPERATING INCOME (LOSS).....	(80,392)	3,664,217	3,583,825	(13,506)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental.....	1,603	-	1,603	-
Investment income.....	1,861	95,019	96,880	202,166
Interest expense.....	(2,713)	(261,434)	(264,147)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	751	(166,415)	(165,664)	202,166
INCOME (LOSS) BEFORE TRANSFERS.....	(79,641)	3,497,802	3,418,161	188,660
TRANSFERS				
Transfers in.....	9,930	-	9,930	-
Transfers out.....	(142,677)	(2,718,182)	(2,860,859)	-
TOTAL TRANSFERS.....	(132,747)	(2,718,182)	(2,850,929)	-
CHANGE IN NET ASSETS.....	(212,388)	779,620	567,232	188,660
NET ASSETS AT BEGINNING OF YEAR.....	4,767,181	9,261,411	14,028,592	2,827,784
NET ASSETS AT END OF YEAR.....	\$ 4,554,793	\$ 10,041,031	\$ 14,595,824	\$ 3,016,444

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Landfill	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users.....	\$ 846,800	\$ 10,242,471	\$ 11,089,271	\$ 2,256,724
Receipts from interfund services provided.....	-	-	-	6,640,292
Payments to vendors.....	(701,900)	(4,080,248)	(4,782,148)	-
Payments to employees.....	(132,046)	(1,406,638)	(1,538,684)	-
Payments for employee benefits.....	-	-	-	(8,652,626)
NET CASH FROM OPERATING ACTIVITIES.....	12,854	4,755,585	4,768,439	244,390
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in.....	9,930	-	9,930	-
Transfers out.....	(142,677)	(2,718,182)	(2,860,859)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(132,747)	(2,718,182)	(2,850,929)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the issuance of bonds and notes.....	-	167,000	167,000	-
Acquisition and construction of capital assets.....	-	(987,560)	(987,560)	-
Principal payments on bonds and notes.....	(34,510)	(1,092,000)	(1,126,510)	-
Interest expense.....	(5,614)	(330,564)	(336,178)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(40,124)	(2,243,124)	(2,283,248)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments.....	-	1,722,266	1,722,266	-
Investment income.....	1,861	95,019	96,880	202,166
NET CASH FROM INVESTING ACTIVITIES.....	1,861	1,817,285	1,819,146	202,166
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(158,156)	1,611,564	1,453,408	446,556
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Includes \$102,938 and \$3,824,484 reported as restricted in the sewer and landfill enterprise funds, respectively).....	572,105	6,946,992	7,519,097	3,191,521
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$81,118 and \$5,908,229 reported as restricted in the sewer and landfill enterprise funds, respectively).....	\$ 413,949	\$ 8,558,556	\$ 8,972,505	\$ 3,638,077
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating income (loss).....	\$ (80,392)	\$ 3,664,217	\$ 3,583,825	\$ (13,506)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	267,382	1,191,031	1,458,413	-
Changes in assets and liabilities:				
Utility liens.....	(21,875)	-	(21,875)	-
User charges.....	(1,786)	(608,835)	(610,621)	-
Special assessments.....	40,831	-	40,831	-
Working capital deposit.....	-	-	-	61,400
Warrants payable.....	(207,185)	(80,460)	(287,645)	130,261
Accrued payroll.....	1,379	4,342	5,721	-
Landfill closure.....	-	442,558	442,558	-
Accrued health claims payable.....	-	-	-	66,235
Accrued compensated absences.....	(143)	4,127	3,984	-
Net OPEB obligation.....	14,643	138,605	153,248	-
Total adjustments.....	93,246	1,091,368	1,184,614	257,896
NET CASH FROM OPERATING ACTIVITIES.....	\$ 12,854	\$ 4,755,585	\$ 4,768,439	\$ 244,390
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Intergovernmental debt subsidies (MWPAT).....	\$ 49,943	\$ -	\$ 49,943	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

ASSETS	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
Cash and cash equivalents.....	\$ 30,045	\$ 457,947
LIABILITIES		
Warrants payable.....	-	12,305
Accrued payroll.....	-	152
Liabilities due depositors.....	-	445,490
Total liabilities.....	-	457,947
NET ASSETS		
Held in trust for other purposes.....	\$ 30,045	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Net investment income:	
Interest.....	\$ 2,003
DEDUCTIONS	
Other.....	200
CHANGE IN NET ASSETS.....	1,803
NET ASSETS AT BEGINNING OF YEAR.....	28,242
NET ASSETS AT END OF YEAR.....	\$ 30,045

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. General**

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

B. Reporting Entity

The Town of Bourne, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Town.

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. It has been determined that there are no component units that require inclusion in the basic financial statements.

Joint Venture

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control mean that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in one joint venture 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 specified recipients.

Upper Cape Cod Regional Technical School

The Town is indirectly liable for the Upper Cape Cod Regional Technical School's (School) debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's fiscal year 2010 assessment totaled approximately \$1,440,000. Separate audited financial statements of the School may be obtained by contacting the School at 220 Sandwich Road, Bourne, Massachusetts 02532.

C. Government-Wide and Fund Financial Statements**Government-Wide Financial Statements**

The government-wide financial statements (statement of net assets and the statement activities) report information on all non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are primarily supported by user fees.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Internal service funds and fiduciary funds are reported by fund type.

*D. Measurement Focus, Basis of Accounting and Basis of Presentation*Government-Wide and Fund Financial Statements

The government-wide and enterprise fund financial statements apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal 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 have been met.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions which are restricted to meeting the operational requirements of a specific function or segment.
- Grants and contributions which are restricted to meeting the capital requirements of a specific function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

Except for charges between the general fund and enterprise funds, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *community preservation fund* is a special revenue fund used to account for the 3% local real estate tax surcharge on nonexempt property (and matching state trust fund distribution) that can be used for open space, historic resource and affordable housing purposes. Property exempt from the surcharge consists of the first \$100,000 of all residential property and also property owned by low income or seniors with a low or moderate income as defined by Massachusetts Department of Revenue (DOR) guidelines. Disbursements from this fund must originate from the Community Preservation Committee and be approved by Town Meeting.

The *elementary school construction fund* is a capital projects fund used to account for construction of the Bournedale elementary school.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than capital projects funds or permanent funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support governmental programs.

Proprietary funds financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *sewer enterprise fund* is used to account for the sewer activities.

The *landfill enterprise fund* is used to account for the landfill activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to employees' health insurance.

Fiduciary funds financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government's programs.

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a custodial capacity. Such assets consist primarily of performance bonds and student activity funds. Agency funds do not present the results of operations or have a measurement focus.

E. Deposits and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value, which are determined based on quotations from a national securities exchange.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Real Estate Taxes, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date.

Real estate tax liens are processed annually after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Motor Vehicle Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

Community Preservation Surcharges

Community preservation surcharges are levied annually and at a rate of 3% of residents' real estate tax bills with exemptions for the first \$100,000 of residential property and property owned by qualified persons with low income and seniors (60+) with low or moderate income as defined by DOR guidelines. The surcharge is due with the real estate tax on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Overdue surcharges are included on the tax liens processed on delinquent real estate taxes. Surcharges are recorded as receivables in the fiscal year of the levy.

User Charges

Sewer

Sewer user charges are levied semi-annually based on a flat fee determined by the sewer commissioners and are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed annually and are included as a lien on the property owner's tax bill. Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

Landfill

Landfill user charges are assessed as activity occurs and are recorded as receivables in the fiscal year accrued.

Special Assessments

Special assessments consist of septic, sewer and street betterments and are recorded as receivables in the fiscal year accrued.

Departmental and Other

Departmental and other receivables primarily consist primarily of ambulance accounts receivable and are recorded as receivables in the fiscal year accrued.

Intergovernmental

Various state and federal operating and capital grants are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

G. Allowance for Uncollectible Amounts

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- User charges (landfill)
- Departmental and other

At June 30, 2010, the allowance related to personal property taxes is immaterial and therefore not reported.

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- Community preservation surcharges
- Special assessments
- User charges (sewer)

Intergovernmental receivables are considered 100% collectible.

H. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements and therefore are not reported.

I. Restricted Assets

Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

J. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, construction in progress, land improvements, buildings and improvements, machinery and equipment and infrastructure (e.g., roads, sewer mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements.

Capital assets are recorded at historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	5-40
Buildings and improvements.....	15-40
Machinery and equipment.....	3-10
Infrastructure.....	20-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

K. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

L. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

M. Deferred Revenue

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide financial statements (full accrual).

*N. Net Assets and Fund Equity*Government-Wide Financial Statements (Net Assets)

Net assets are reported as restricted when amounts are restricted by outside parties for a specific future use.

Net assets have been "restricted" for the following:

"Community preservation" represents amounts restricted for open space, historic resource and affordable housing purposes.

"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other specific purposes" represents restrictions placed on assets from outside parties.

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been "reserved for" the following:

"Encumbrances and continuing appropriations" represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

"Perpetual permanent funds" represents amounts held in trust for which only investment earnings may be expended.

"Other specific purposes" represents restrictions placed on assets from outside parties.

Fund balances have been "designated for" the following:

"Stabilization" represents amounts accumulated for general and/or capital purposes, which is subject to Town Meeting approval.

"Subsequent year's expenditures" represents amounts appropriated for the fiscal year 2011 operating budget.

*O. Long-term Debt*Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statements of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

P. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from proprietary funds is retained in the funds.

Q. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon employee retirements and resignations.

*R. Post Retirement Benefits*Government-Wide and Fund Financial Statements

In addition to providing pension benefits and as more fully described in Note 13, the Town provides health insurance coverage for retired employees and their spouses.

*S. Use of Estimates*Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

*T. Total Column*Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

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. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases subsequent to the approval of the annual budget require Special Town Meeting approval.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2010 approved budget for the general fund authorized approximately \$53,100,000 in appropriations and other amounts to be raised. During fiscal year 2010, the amount originally appropriated was decreased by approximately \$508,000.

The Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Fund Deficits

At June 30, 2010, the following fund deficits exist:

<u>Fund</u>	<u>Amount</u>	<u>Funding Source</u>
Elementary school construction (major fund).....	\$ 1,213,489	Bond proceeds and state grant
Various capital projects.....	1,079,404	Bond proceeds
SPED 94-142.....	51,448	Federal grant
State 911 incentive grant.....	43,221	State grant
Pumpout boat grant.....	32,000	State grant
Title I distribution.....	29,810	Federal grant
School lunch revolving.....	19,292	Available funds

C. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2010, expenditures and encumbrances and continuing appropriations exceeded appropriations for state and county expenditures.

NOTE 3 - DEPOSITS AND INVESTMENTS

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT).

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of permanent funds and private purpose trust funds are held separately from other Town funds.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk. As of June 30, 2010, \$741,149 of the Town's bank balance of \$31,690,238 was uninsured and exposed to custodial credit risk.

Investments Summary

The Town's investments at June 30, 2010 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 - 5	6 - 10
<u>Debt Securities:</u>				
U.S. Treasuries.....	\$ 103,817	\$ -	\$ 54,004	\$ 49,813
U.S. Agencies.....	1,201,313	203,953	653,516	343,844
Corporate bonds.....	185,582	-	52,743	132,839
Money market mutual funds.....	201,268	201,268	-	-
Mutual bond funds.....	588,280	588,280	-	-
External investment pools.....	4,384,882	4,384,882	-	-
Total debt securities.....	6,665,142	\$ 5,378,383	\$ 760,263	\$ 526,496
<u>Other Investments:</u>				
Equity securities.....	446,860			
Equity mutual funds.....	506,477			
Total other investments.....	953,337			
Total investments.....	\$ 7,618,479			

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town does not have a policy for interest rate risk of debt securities.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. At June 30, 2010, the Town's investments were exposed to custodial credit risk as follows:

Investment Type	Fair Value	Held by Counterparty's Trust or Agent
U.S. Treasuries.....	\$ 103,817	\$ 103,817
U.S. Agencies.....	1,201,313	1,201,313
Corporate bonds.....	185,582	185,582
Money market mutual funds.....	201,268	201,268
Mutual bond funds.....	588,280	588,280
Equity securities.....	446,860	446,860
Equity mutual funds.....	506,477	506,477
Total.....	\$ 3,233,597	\$ 3,233,597

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2010, the credit quality ratings of the Town's debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *		
		AA	A	Unrated
Corporate bonds.....	\$ 185,582	\$ 132,839	\$ 52,743	\$ -
Money market mutual funds.....	201,268	-	-	201,268
Mutual bond funds.....	588,280	-	-	588,280
External investment pools.....	4,384,882	-	-	4,384,882
Total.....	\$ 5,360,012	\$ 132,839	\$ 52,743	\$ 5,174,430

* Per the rating scale of Standard and Poor's (a national credit rating organization)

Investments - Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The Town does not have a policy for foreign currency risk. As of June 30, 2010, the Town's investments were not exposed to foreign currency risk.

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a policy for concentration of credit risk. As of June 30, 2010, the Town was not exposed to concentration of credit risk.

NOTE 4 – ACCOUNTS RECEIVABLE

At June 30, 2010, receivables for the individual major governmental funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes....	\$ 2,086,517	\$ -	\$ 2,086,517
Real estate tax deferrals.....	60,191	-	60,191
Tax liens.....	354,352	-	354,352
Motor vehicle and other excise taxes.....	503,093	(131,967)	371,126
Community preservation surcharges.....	60,998	-	60,998
Special assessments.....	230,946	-	230,946
Departmental and other.....	829,646	(343,580)	486,066
Intergovernmental.....	8,131,180	-	8,131,180
	<u>\$ 12,256,923</u>	<u>\$ (475,547)</u>	<u>\$ 11,781,376</u>

At June 30, 2010, receivables for the sewer and landfill enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges.....	\$ 1,759,475	\$ (66,561)	\$ 1,692,914
Utility liens.....	85,946	-	85,946
Special assessments.....	170,501	-	170,501
Intergovernmental.....	169,287	-	169,287
	<u>\$ 2,185,209</u>	<u>\$ (66,561)</u>	<u>\$ 2,118,648</u>

Governmental funds report *deferred revenue* in connection with receivables and other assets (tax foreclosures) for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the various components of *deferred revenue* reported in the governmental funds:

	General Fund	Other Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 1,798,637	\$ -	\$ 1,798,637
Real estate tax deferrals.....	60,191	-	60,191
Tax liens.....	345,924	8,428 (a)	354,352
Motor vehicle and other excise taxes.....	371,126	-	371,126
Community preservation surcharges.....	-	60,998 (a)	60,998
Special assessments.....	6,370	224,576 (b)	230,946
Departmental and other.....	-	486,066 (b)	486,066
Intergovernmental (state school construction).....	7,403,774	-	7,403,774
Tax foreclosures.....	520,492	-	520,492
Total.....	\$ <u>10,506,514</u>	\$ <u>780,068</u>	\$ <u>11,286,582</u>

(a) Community Preservation Fund (Major Fund)

(b) Nonmajor Governmental Funds

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school construction bonds outstanding. During fiscal year 2010, approximately \$1,058,000 of such assistance was received. Approximately \$11,641,000 will be received in future fiscal years. Of this amount, approximately \$4,237,000 represents reimbursements of long-term interest costs, and approximately \$7,404,000 represents reimbursement of approved construction costs. Accordingly, a \$7,403,774 intergovernmental receivable and corresponding deferred revenue have been reported in the general fund in the governmental funds financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

The Town is currently in the process of constructing the Bournedale Elementary School, which is accounted for in the major elementary school construction fund. Approximately \$23,700,000 has been spent on the project at June 30, 2010. The remainder of the project will be funded via long-term debt and the receipt of funds from the MSBA.

As of June 30, 2010, the MSBA has provided reimbursements totaling approximately \$14,281,000, which represents a portion of the grant award allotted for the project. The maximum reimbursements allowable under the grant total approximately \$15,586,000, which represents 61.74% of the maximum allowable costs totaling approximately \$25,245,000. At June 30, 2010, an intergovernmental receivable of approximately \$328,000 has been recorded for unreimbursed costs.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 25,849,345	\$ -	\$ -	\$ 25,849,345
Construction in progress.....	22,982,245	8,199	(22,982,245)	8,199
Total capital assets not being depreciated.....	48,831,590	8,199	(22,982,245)	25,857,544
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,908,085	-	-	2,908,085
Buildings and improvements.....	59,093,764	25,386,841	-	84,480,605
Machinery and equipment.....	11,265,002	968,376	(25,000)	12,208,378
Infrastructure.....	4,275,354	681,932	-	4,957,286
Total capital assets being depreciated.....	77,542,205	27,037,149	(25,000)	104,554,354
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(444,553)	(137,921)	-	(582,474)
Buildings and improvements.....	(22,502,472)	(2,404,642)	-	(24,907,114)
Machinery and equipment.....	(7,329,436)	(1,214,626)	16,369	(8,527,693)
Infrastructure.....	(1,144,003)	(140,618)	-	(1,284,621)
Total accumulated depreciation.....	(31,420,464)	(3,897,807)	16,369	(35,301,902)
Total capital assets being depreciated, net.....	46,121,741	23,139,342	(8,631)	69,252,452
Total governmental activities capital assets, net.....	\$ 94,953,331	\$ 23,147,541	\$ (22,990,876)	\$ 95,109,996

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activity- Sewer Enterprise :				
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 705,823	\$ -	\$ (2,725)	\$ 703,098
Other.....	1,332,118	-	-	1,332,118
Infrastructure.....	7,326,791	-	-	7,326,791
Total capital assets being depreciated.....	9,364,732	-	(2,725)	9,362,007
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(672,950)	(12,098)	2,725	(682,323)
Other.....	(1,192,369)	(69,875)	-	(1,262,244)
Infrastructure.....	(3,108,946)	(185,409)	-	(3,294,355)
Total accumulated depreciation.....	(4,974,265)	(267,382)	2,725	(5,238,922)
Total capital assets being depreciated, net.....	4,390,467	(267,382)	-	4,123,085
Total sewer enterprise capital assets, net.....	\$ 4,390,467	\$ (267,382)	\$ -	\$ 4,123,085
Business-Type Activity- Landfill Enterprise :				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,209,658	\$ -	\$ -	\$ 2,209,658
Construction in progress.....	2,849,419	-	(1,501,513)	1,347,906
Total capital assets not being depreciated.....	5,059,077	-	(1,501,513)	3,557,564
<u>Capital assets being depreciated:</u>				
Land improvements.....	5,505,739	2,194,235	-	7,699,974
Buildings and improvements.....	9,725,441	30,550	-	9,755,991
Machinery and equipment.....	5,118,893	264,288	(185,580)	5,197,601
Total capital assets being depreciated.....	20,350,073	2,489,073	(185,580)	22,653,566
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(4,432,240)	(629,412)	-	(5,061,652)
Buildings and improvements.....	(5,903,339)	(198,231)	-	(6,101,570)
Machinery and equipment.....	(3,375,605)	(363,388)	185,580	(3,553,413)
Total accumulated depreciation.....	(13,711,184)	(1,191,031)	185,580	(14,716,635)
Total capital assets being depreciated, net.....	6,638,889	1,298,042	-	7,936,931
Total landfill enterprise capital assets, net.....	\$ 11,697,966	\$ 1,298,042	\$ (1,501,513)	\$ 11,494,495

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

Governmental Activities:

General government.....	\$	129,388
Public safety.....		483,558
Education.....		2,457,709
Public works.....		478,848
Health and human services.....		3,551
Culture and recreation.....		344,753

Total depreciation expense - governmental activities..... \$ 3,897,807

Business-Type Activities:

Sewer.....	\$	267,382
Landfill.....		1,191,031

Total depreciation expense - business-type activities..... \$ 1,458,413

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2010, are summarized as follows:

Transfers Out:	Transfers In:					Total
	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Sewer Enterprise Fund		
General Fund.....	\$ -	\$ 20,953	\$ 52,590	\$ -	\$	73,543 (1)
Community Preservation Fund.....	632,222	-	-	-		632,222 (2)
Nonmajor Governmental Funds....	1,555,214	-	-	9,930		1,565,144 (3)
Sewer Enterprise Fund.....	142,677	-	-	-		142,677 (4)
Landfill Enterprise Fund.....	2,313,815	-	404,367	-		2,718,182 (5)
Total.....	\$ <u>4,643,928</u>	\$ <u>20,953</u>	\$ <u>456,957</u>	\$ <u>9,930</u>	\$	<u>5,131,768</u>

(1) Represents transfers to the community preservation (\$20,953), waterways improvements (\$42,874) and capital stabilization (\$9,716) funds.

(2) Represents transfer to fund debt service.

(3) Represents transfers to fund a portion of the fiscal year 2010 operating budget from the ambulance (\$895,000), impact aid (\$297,989), waterways improvements (\$211,655), stabilization (\$88,312), community septic management program (\$30,490), conservation commission receipts reserved (\$30,000) and capital stabilization (\$1,768) funds. Also represents transfers to the Massachusetts Water Pollution Abatement trust reserve (\$9,930) fund.

(4) Represents transfer of indirect costs.

(5) Represents transfer of indirect costs (\$2,313,815) and the host community fee (\$404,367).

NOTE 7 - SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively.

Details related to the short-term debt activity for the fiscal year ended June 30, 2010, is as follows:

Notes Payable - Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2009	Increases	Decreases	Balance at June 30, 2010
BAN	Elementary School/Early Childhood Center.....	06/24/09	09/29/09	1.25%	\$ 4,000,000	\$ -	\$ (4,000,000)	\$ -
BAN	Elementary School/Early Childhood Center.....	09/29/09	09/29/10	1.75%	-	4,000,000	-	4,000,000
BAN	Road Resurfacing.....	12/23/09	09/29/10	0.79%	-	140,000	-	140,000
BAN	DPW Equipment.....	12/23/09	09/29/10	0.79%	-	819,000	-	819,000
BAN	School Tech Hardware.....	12/23/09	09/29/10	0.79%	-	202,000	-	202,000
BAN	High School Security System.....	12/23/09	09/29/10	0.79%	-	150,000	-	150,000
BAN	DNR Fuel System.....	12/23/09	09/29/10	0.79%	-	146,000	-	146,000
Total.....					<u>\$ 4,000,000</u>	<u>\$ 5,457,000</u>	<u>\$ (4,000,000)</u>	<u>\$ 5,457,000</u>

Notes Payable - Enterprise Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2009	Increases	Decreases	Balance at June 30, 2010
BAN	ISWM Equipment.....	12/23/09	09/29/10	0.79%	\$ -	\$ 167,000	\$ -	\$ 167,000

Subsequent Events

On September 29, 2010, the Town renewed the outstanding governmental fund BANs totaling \$5,457,000 and issued an additional \$582,255. The BANs accrue interest at a rate of 1.25% and mature on September 29, 2011.

On September 29, 2010, the Town renewed the outstanding enterprise fund BAN totaling \$167,000 and issued an additional \$805,000. The BANs accrue interest at a rate of 1.25% and mature on September 29, 2011.

NOTE 8 – LONG-TERM OBLIGATIONS

Chapter 44, Section 10, of the MGL authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit”. However, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

Details related to the outstanding indebtedness at June 30, 2010, and the debt service requirements are as follows:

Bonds and Notes Payable – Governmental Funds

Project	Interest Rate	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
Sewer.....	6.00%	\$ 98,300	\$ -	\$ (49,150)	\$ 49,150
MWPAT Pool 9 97-1038-1.....	0.00%	146,574	-	(9,842)	136,732
MWPAT Title V 97-1038.....	0.00%	124,601	-	(10,401)	114,200
MWPAT Pool 11 T5-97-1038-2.....	0.00%	170,000	-	(10,000)	160,000
School Project Refunding.....	4.90%	9,000	-	(9,000)	-
Building Construction - School Refunding.....	4.92%	26,000	-	(26,000)	-
Tennis Courts.....	4.73%	6,000	-	(2,000)	4,000
Town Hall Repair.....	5.02%	668,000	-	(96,000)	572,000
Coady Roof.....	5.05%	15,000	-	(15,000)	-
School.....	5.01%	12,360,000	-	(1,030,000)	11,330,000
Community Center.....	3.55%	3,435,000	-	(257,000)	3,178,000
Land for Community Center.....	3.47%	228,000	-	(19,000)	209,000
Police Remodeling.....	2.97%	30,000	-	(6,000)	24,000
Library Roof.....	3.19%	110,000	-	(14,000)	96,000
Land Acquisition.....	3.52%	943,000	-	(73,000)	870,000
Land Acquisition.....	3.53%	1,599,000	-	(123,000)	1,476,000
Land Acquisition.....	3.57%	735,000	-	(53,000)	682,000
Police Station Roof.....	2.50%	10,000	-	(10,000)	-
Land Acquisition.....	3.87%	2,350,000	-	(150,000)	2,200,000
Roads.....	3.45%	10,000	-	(10,000)	-
School Plans.....	3.85%	290,000	-	(20,000)	270,000
Municipal Purpose Loan.....	4.25%	4,959,000	-	(580,000)	4,379,000
Municipal Purpose Loan.....	3.14%	8,812,165	-	-	8,812,165
Total governmental funds.....		\$ 37,134,640	\$ -	\$ (2,572,393)	\$ 34,562,247

Debt service requirements for principal and interest for governmental bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011.....	\$ 3,387,557	\$ 1,309,824	\$ 4,697,381
2012.....	3,189,242	1,195,536	4,384,778
2013.....	3,053,242	1,088,064	4,141,306
2014.....	2,817,301	979,182	3,796,483
2015.....	2,628,444	873,168	3,501,612
2016.....	2,618,444	767,929	3,386,373
2017.....	2,383,444	666,791	3,050,235
2018.....	2,383,444	569,023	2,952,467
2019.....	2,340,444	469,102	2,809,546
2020.....	2,309,817	371,124	2,680,941
2021.....	2,304,617	273,622	2,578,239
2022.....	1,174,417	177,418	1,351,835
2023.....	979,417	137,369	1,116,786
2024.....	624,417	107,306	731,723
2025.....	615,000	83,717	698,717
2026.....	455,000	59,755	514,755
2027.....	401,000	43,245	444,245
2028.....	386,000	27,989	413,989
2029.....	261,000	15,220	276,220
2030.....	250,000	5,000	255,000
Total.....	\$ 34,562,247	\$ 9,220,384	\$ 43,782,631

Bonds and Notes Payable – Enterprise Funds

Project	Interest Rate	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
MWPAT Sewer 91-21.....	0.00%	\$ 352,828	\$ -	\$ (74,424)	\$ 278,404
MWPAT Sewer 93-15.....	3.60%	58,295	-	(8,426)	49,869
Landfill Water Supply.....	5.01%	50,000	-	(50,000)	-
Landfill Water Main.....	5.05%	41,000	-	(7,000)	34,000
Plans for Landfill Processing Center.....	2.51%	20,000	-	(20,000)	-
Landfill Phase III.....	2.51%	280,000	-	(280,000)	-
Landfill Phase II.....	2.51%	19,000	-	(19,000)	-
Plans for Landfill Processing Center.....	2.51%	46,000	-	(46,000)	-
Landfill Bailing Equipment.....	2.51%	60,000	-	(60,000)	-
Landfill Phase IIA/IIIA, Stage 1, Liner.....	3.77%	2,100,000	-	(300,000)	1,800,000
Landfill Compactor.....	4.25%	298,000	-	(149,000)	149,000
Landfill Bulldozer.....	4.25%	225,000	-	(75,000)	150,000
Landfill Scale.....	4.25%	187,000	-	(63,000)	124,000
Landfill Phase 3, Stage 3, Liner.....	3.14%	401,000	-	(23,000)	378,000
Sewer Truck.....	3.14%	25,000	-	-	25,000
Sewer Replace Pumps and Panels.....	3.14%	20,000	-	-	20,000
Sewer Replace Pumps and Panels.....	3.14%	100,000	-	-	100,000
Landfill Phase IIA/IIIA, Stage 2, Liner.....	3.14%	2,200,000	-	-	2,200,000
Landfill Komatsu 155A Dozer.....	3.14%	600,000	-	-	600,000
Landfill Gas Generator.....	3.14%	345,000	-	-	345,000
Landfill Processing Center.....	3.14%	350,000	-	-	350,000
Landfill Residential Recycling Center.....	3.14%	1,050,000	-	-	1,050,000
Total enterprise funds.....		\$ 8,828,123	\$ -	\$ (1,174,850)	\$ 7,653,273

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011.....	\$ 1,164,495	\$ 226,862	\$ 1,391,357
2012.....	1,014,296	196,334	1,210,630
2013.....	873,255	171,945	1,045,200
2014.....	820,118	149,243	969,361
2015.....	518,109	129,027	647,136
2016.....	507,000	111,433	618,433
2017.....	202,000	94,013	296,013
2018.....	202,000	87,516	289,516
2019.....	200,000	80,592	280,592
2020.....	200,000	74,372	274,372
2021.....	200,000	68,146	268,146
2022.....	200,000	61,793	261,793
2023.....	200,000	54,981	254,981
2024.....	200,000	47,834	247,834
2025.....	200,000	40,464	240,464
2026.....	200,000	32,864	232,864
2027.....	199,000	25,392	224,392
2028.....	199,000	17,941	216,941
2029.....	179,000	10,580	189,580
2030.....	175,000	3,500	178,500
<u>Total.....</u>	<u>\$ 7,653,273</u>	<u>\$ 1,684,832</u>	<u>\$ 9,338,105</u>

The Town receives subsidy assistance from the Massachusetts Water Pollution Abatement Trust (MWPAT). Principal and interest on the outstanding MWBAT bonds is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. During fiscal year 2010, the Town's subsidy totaled approximately \$50,000. Future subsidies total approximately \$173,000. The amount of MWPAT bonds outstanding at June 30, 2010, totaled \$739,205.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2010, the Town had the following authorized and unissued debt:

Purpose	Amount
Elementary School.....	\$ 11,000,000
Elementary School.....	4,000,000 *
Land Acquisition.....	3,200,000
DPW Equipment.....	819,000 *
ISWM Flare Skid.....	335,000
ISWM Front End & Road Real.....	250,000
ISWM Cap & Odor Mitigation.....	220,000
School Technology Plan.....	212,255
School Tech Hardware.....	202,000 *
ISWM Replace Cat 250 Truck.....	200,000
ISWM Equipment.....	167,000 *
High School Security System.....	150,000 *
DNR Fuel System.....	146,000 *
Road Resurfacing.....	140,000 *
DPW Dump/Sander Truck.....	132,000
Repair & Upgrade Herring Runs....	125,000
School SPED Minibus.....	93,000
Fire Jaws of Life.....	20,000
Total.....	\$ 21,411,255

* Represents short-term BANs outstanding at June 30, 2010

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2010, the following changes occurred in long-term liabilities:

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010	Current Portion
Governmental Activities:					
Bonds and notes payable.....	\$ 37,134,640	\$ -	\$ (2,572,393)	\$ 34,562,247	\$ 3,387,557
Net OPEB obligation.....	2,591,384	4,895,477	(2,164,857)	5,322,004	-
Compensated absences.....	2,124,046	-	(15,346)	2,108,700	210,870
Total.....	\$ 41,850,070	\$ 4,895,477	\$ (4,752,596)	\$ 41,992,951	\$ 3,598,427
Business-type Activities:					
Bonds and notes payable.....	\$ 8,828,123	\$ -	\$ (1,174,850)	\$ 7,653,273	\$ 1,164,495
Net OPEB obligation.....	172,013	285,556	(132,308)	325,261	-
Landfill closure.....	3,093,428	571,646	(129,088)	3,535,986	-
Compensated absences.....	147,384	4,127	(143)	151,368	15,137
Total.....	\$ 12,240,948	\$ 861,329	\$ (1,436,389)	\$ 11,665,888	\$ 1,179,632

Except for debt service related to acquisitions by the community preservation fund (major), the governmental activities long-term liabilities are generally liquidated by the general fund.

NOTE 9 - LANDFILL CLOSURE AND POSTCLOSURE CARE

The Town currently operates an active landfill. State and federal laws and regulations require the Town to place a final cover on each landfill cell when it stops accepting waste and to perform certain maintenance and monitoring functions for 30 years after final closure of the site. Although the majority of closure and postclosure care costs will be paid only near or after the date that a landfill site stops accepting waste, the Town reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each statement of net assets date.

The closure and postclosure care liability consist of the following at June 30, 2010:

<u>Closure:</u>	
Phase 2A/3A.....	\$ 2,138,384
Phase 3, Stage 3 South Side.....	<u>618,792</u>
Sub-total (closure).....	2,757,176
Postclosure care.....	686,560
Transfer station closure.....	<u>92,250</u>
Total closure and postclosure care liability.....	<u>\$ 3,535,986</u>

The Phase 2A/3A landfill closure liability represents the cumulative amount reported based on the use of approximately 69% of the estimated capacity of the cell. The Phase 3, Stage 3 South Side landfill closure liability represents the cumulative amount reported based on the use of 100% capacity. The postclosure care liability represents the cumulative amount reported based on the use of 51% of the estimated capacity of the entire landfill.

Closure and postclosure care costs consist of the following at June 30, 2010:

<u>Closure:</u>	
Phase 2A/3A.....	\$ 525,417
Postclosure care.....	<u>46,230</u>
Sub-total.....	571,647
Less: amounts paid toward closure.....	<u>(129,089)</u>
Total closure and postclosure care costs.....	<u>\$ 442,558</u>

These amounts are based on what it would cost to perform all closure and postclosure care in 2010. Based on current demographic information and engineering estimates of landfill consumption, the Town expects to close the landfill in approximately 2024. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The Town will recognize the remaining estimated cost of closure and postclosure care of approximately \$6,300,000 as the remaining estimated capacity is filled.

The Town is required by state laws and regulations to meet annual financial assurance requirements. At June 30, 2010, approximately \$3,770,000 of funds has been set aside for closure and postclosure care costs.

NOTE 10 - RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

The Town is self-insured for its health insurance activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when incurred.

A. Health Insurance

The estimated "Incurred But Not Reported (IBNR)" claims are based on actual subsequent activity and historical trends. The liability at June 30, 2010 totaled \$728,836. Changes in the reported liability since July 1, 2008, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-end
Fiscal year 2009.....	\$ 430,589	\$ 8,724,539	\$ (8,492,527)	\$ 662,601
Fiscal year 2010.....	662,601	8,944,755	(8,878,520)	728,836

NOTE 11 - PENSION PLAN

Plan Description – The Town contributes to the Barnstable County Retirement Association (the Association), a cost-sharing multiple-employer defined benefit pension plan administered by the Barnstable County Retirement Board. Substantially all employees of the Town are members of the Association, except for public school teachers and certain administrators who are members of the Commonwealth's Teachers Retirement System.

Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The Association provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be authorized by the Barnstable County Retirement Board and are borne by the Association. The Association issues a publicly available report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 750 Attucks Lane, Hyannis, Massachusetts, 01970.

Funding Policy – Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the Association at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Association its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll. The Town's contributions to the Association for the fiscal years ended June 30, 2010, 2009, and 2008 were \$2,236,480, \$2,046,604, and \$1,888,019, respectively, which equaled its required contribution for each fiscal year.

NOTE 12 - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$4,615,000 for the fiscal year ended June 30, 2010, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

NOTE 13 - OTHER POST EMPLOYMENT BENEFITS

Plan Description - The Town provides health and life insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. 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.

The number of participants as of June 30, 2008, the latest actuarial valuation, is as follows:

Active employees.....	391
Retired employees and spouses.....	<u>405</u>
Total.....	<u>796</u>

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health insurance contribution rates of Plan members and the Town (including Medicare Part B) are 25% and 75%, respectively. The Plan members and Town each contribute 50% towards a \$5,000 term life insurance premium. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the Town's net OPEB obligation:

	Amount (in thousands)
Annual required contribution.....	\$ 5,149,484
Interest on net OPEB obligation.....	117,489
Adjustment to annual required contribution.....	(85,939)
Annual OPEB cost.....	5,181,034
Contributions made.....	(2,297,165)
Increase in net OPEB obligation.....	2,883,869
Net OPEB obligation at beginning of year.....	2,763,396
Net OPEB obligation at end of year.....	\$ 5,647,265

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2009*.....	\$ 4,918,222	43.8%	\$ 2,763,396
June 30, 2010.....	5,181,034	44.3%	5,647,265

Funded Status and Funding Progress – The funded status of the Plan at June 30, 2008, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/08	\$ -	\$ 74,937,141	\$ 74,937,141	-	\$ 27,668,817	271%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	June 30, 2008
Actuarial cost method:	Projected Unit Credit
Amortization method:	Amortization payments increasing at 4.50%
Remaining amortization period:	30 years open
Interest discount rate:	5.00%
Medical/drug cost trend rate:	10.00% decreasing by 0.75% for 6 years and by 0.50% for 1 year to an ultimate level of 5.00% per year.
Inflation rate:	4.50%

Allocation of AOPEBC – AOPEBC costs were allocated to the Town's functions as follows:

Governmental Activities:

General government.....	\$ 271,499
Public safety.....	1,235,051
Education.....	2,910,466
Public works.....	259,711
Health and human services.....	109,816
Culture and recreation.....	<u>96,083</u>
Total AOPEBC - governmental activities....	<u>4,882,626</u>

Business-Type Activities:

Sewer.....	25,941
Landfill.....	<u>272,467</u>
Total AOPEBC - business-type activities....	<u>298,408</u>
Total AOPEBC.....	<u>\$ 5,181,034</u>

NOTE 14 – COMMITMENTS

The Town is currently in the process of constructing the Bournedale Elementary School. At June 30, 2010, approximately \$23,700,000 had been spent on the project and approximately \$1,500,000 is required to complete the project.

NOTE 15 - CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2010.

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2010, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 16- IMPLEMENTATION OF GASB PRONOUNCEMENTS

The Town implemented the following GASB pronouncements during fiscal year 2010:

- Statement #51, *Accounting and Financial Reporting for Intangible Assets*. The implementation of this Statement had no impact on the basic financial statements.
- Statement #53, *Accounting and Financial Reporting for Derivative Instruments*. The implementation of this Statement had no impact on the basic financial statements.
- Statement #55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The implementation of this Statement had no impact on the financial statements.
- Statement #56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The implementation of this Statement had no impact on the financial statements.
- Statement #58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The implementation of this Statement had no impact on the financial statements.

NOTE 17 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented during fiscal year 2011. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement #57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which is required to be implemented during fiscal year 2012. This pronouncement will not impact the basic financial statements.
- Statement #59, *Financial Instruments Omnibus*, which is required to be implemented during fiscal year 2011. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

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Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real estate and personal property taxes.....	\$ -	\$ 35,192,034	\$ (808,951)	\$ 34,383,083
Motor vehicle and other excise taxes.....	-	1,895,000	-	1,895,000
Tax liens.....	-	-	-	-
Payments in lieu of taxes.....	-	25,000	-	25,000
Intergovernmental.....	-	8,471,355	-	8,471,355
Special assessments.....	-	-	-	-
Penalties and interest on taxes.....	-	210,000	-	210,000
Licenses and permits.....	-	439,152	-	439,152
Fines and forfeitures.....	-	137,000	-	137,000
Departmental and other.....	-	1,350,868	-	1,350,868
Investment income.....	-	103,029	-	103,029
TOTAL REVENUES.....	-	47,823,438	(808,951)	47,014,487
EXPENDITURES				
Current:				
General government.....	365,370	2,517,805	125,483	3,008,658
Public safety.....	996,042	7,816,047	21,423	8,833,512
Education.....	193,133	22,645,990	(499,951)	22,339,172
Public works.....	20,817	2,226,650	(15,000)	2,232,467
Health and human services.....	7,290	856,918	(4,000)	860,208
Culture and recreation.....	179,718	777,421	(17,000)	940,139
Pension benefits.....	-	2,329,124	-	2,329,124
Employee benefits.....	-	6,605,265	(60,000)	6,545,265
Property and liability insurance.....	-	840,815	(38,000)	802,815
State and county charges.....	-	2,327,497	-	2,327,497
Debt service:				
Principal.....	-	2,593,393	(21,000)	2,572,393
Interest.....	-	1,489,407	-	1,489,407
TOTAL EXPENDITURES.....	1,762,370	53,026,332	(508,045)	54,280,657
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(1,762,370)	(5,202,894)	(300,906)	(7,266,170)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	-	4,417,193	226,735	4,643,928
Premium from issuance of bonds and notes.....	-	-	-	-
Transfers out.....	-	(73,543)	-	(73,543)
TOTAL OTHER FINANCING SOURCES (USES)....	-	4,343,650	226,735	4,570,385
NET CHANGE IN FUND BALANCE.....	(1,762,370)	(859,244)	(74,171)	(2,695,785)
FUND BALANCE AT BEGINNING OF YEAR.....	8,555,126	8,555,126	8,555,126	8,555,126
FUND BALANCE AT END OF YEAR.....	\$ 6,792,756	\$ 7,695,882	\$ 8,480,955	\$ 5,859,341

See notes to required supplementary information.

<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
\$ 33,968,082	\$ -	\$ 33,968,082	\$ (415,001)
1,959,597	-	1,959,597	64,597
208,235	-	208,235	208,235
10,245	-	10,245	(14,755)
8,584,347	-	8,584,347	112,992
1,356	-	1,356	1,356
325,183	-	325,183	115,183
467,770	-	467,770	28,618
139,500	-	139,500	2,500
1,554,520	-	1,554,520	203,652
81,835	-	81,835	(21,194)
<u>47,300,670</u>	<u>-</u>	<u>47,300,670</u>	<u>286,183</u>
2,489,949	333,290	2,823,239	185,419
7,848,629	815,880	8,664,509	169,003
21,667,268	309,364	21,976,632	362,540
2,114,703	54,578	2,169,281	63,186
838,568	3,860	842,428	17,780
823,046	103,662	926,708	13,431
2,326,628	-	2,326,628	2,496
6,427,588	32,637	6,460,225	85,040
802,815	-	802,815	-
2,332,919	-	2,332,919	(5,422)
2,572,393	-	2,572,393	-
1,414,544	-	1,414,544	74,863
<u>51,659,050</u>	<u>1,653,271</u>	<u>53,312,321</u>	<u>968,336</u>
<u>(4,358,380)</u>	<u>(1,653,271)</u>	<u>(6,011,651)</u>	<u>1,254,519</u>
4,643,928	-	4,643,928	-
88,384	-	88,384	88,384
<u>(73,543)</u>	<u>-</u>	<u>(73,543)</u>	<u>-</u>
<u>4,658,769</u>	<u>-</u>	<u>4,658,769</u>	<u>88,384</u>
300,389	(1,653,271)	(1,352,882)	1,342,903
<u>8,555,126</u>	<u>8,555,126</u>	<u>8,555,126</u>	<u>-</u>
<u>\$ 8,855,515</u>	<u>\$ 6,901,855</u>	<u>\$ 7,202,244</u>	<u>\$ 1,342,903</u>

PENSION PLAN SCHEDULES

The following schedules provide information related to the Association as a whole, for which the Town is one participating employer:

SCHEDULES OF FUNDING PROGRESS (ASSOCIATION)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/09	\$ 520,089,855	\$ 966,564,614	\$ 446,474,759	53.8%	\$ 249,971,296	178.6%
01/01/07	517,396,087	825,863,068	308,466,981	62.6%	226,391,633	136.3%
01/01/06	465,637,984	765,747,723	300,109,739	60.8%	215,474,180	139.3%
01/01/04	378,317,300	647,655,411	269,338,111	58.4%	190,614,004	141.3%
01/01/02	362,911,896	553,531,966	190,620,070	65.6%	173,610,557	109.8%
01/01/00	300,396,700	462,462,500	162,065,800	65.0%	152,293,100	106.4%

SCHEDULE OF EMPLOYER CONTRIBUTIONS (ASSOCIATION)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2004	\$ 27,650,113	100
2005	30,224,666	100
2006	32,038,146	100
2007	34,360,912	100
2008	36,943,817	100
2009	39,899,322	100

The following schedule provides information related to the Town's portion of the Association's ARC:

TOWN SHARE OF ASSOCIATION ARC

Fiscal Year Ended June 30	ARC	Percentage of ARC Contributed (%)	Town ARC as a Percentage of Association ARC (%)
2005	\$ 1,597,572	100	5.8%
2006	1,753,632	100	5.8%
2007	1,801,969	100	5.6%
2008	1,888,019	100	5.5%
2009	2,046,604	100	5.5%
2010	2,236,480	100	5.6%

NOTE A - BUDGETARY - GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2010, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 47,300,670	\$ 53,312,321
<u>Adjustments</u>		
Net change in recording 60-day receipts.....	59,342	-
Net change in recording tax refunds payable.....	25,097	-
To record MTRS on-behalf payments.....	4,615,027	4,615,027
Net change in recording short-term interest accrual.....	-	(12,440)
To record encumbrances and continuing appropriations.....	-	(1,653,271)
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 52,000,136</u>	<u>\$ 56,261,637</u>

NOTE B - PENSION PLAN

Additional information as of the latest actuarial valuation is as follows:

Valuation date:	January 1, 2009
Actuarial cost method:	Entry age normal cost
Amortization method:	Payments increase at 4.50% per year after fiscal 2013
Remaining amortization period:	19 years from July 1, 2009 for 2002 and 2003 Early Retirement Incentives and remaining unfunded liability.
Asset valuation method:	5-year smoothing of investment returns greater (less) than expected
<u>Actuarial assumptions:</u>	
Investment rate of return:	8.25%
Projected salary increases:	5.00%
Cost of living adjustments:	3.00% of first \$12,000 of retirement income