

TOWN OF BOURNE, MASSACHUSETTS
FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014

**TOWN OF BOURNE, MASSACHUSETTS
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JUNE 30, 2014**

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INDEPENDENT AUDITORS' REPORT

To The Honorable Board of Selectmen
Town of Bourne, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bourne, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Bourne, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bourne, Massachusetts, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 11) and general fund and community preservation fund budgetary comparisons, certain pension and other postemployment benefits information, and notes to the required supplementary information (located on pages 57 through 64) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2014, 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 to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Bourne, Massachusetts' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
November 21, 2014

**TOWN OF BOURNE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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, 2014.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$94,198,809 (net position). Of this amount, \$1,386,481 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$4,849,705 is applicable to business-type activities and (\$3,463,224) represents the governmental activities' net deficit, which is directly attributable to the approximate \$19,915,000 accrual of its net OPEB obligation.
- The Town's total net position decreased \$5,382,090.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$23,565,456, a decrease of \$7,093,772 in comparison with the prior year. Approximately \$9,205,000 represents unassigned fund balance.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$9,616,590, or 15% of total general fund expenditures and transfers out.
- The Town's total bonded debt decreased by \$9,182,419 during the fiscal year, with no new long-term debt issuances.

Overview of the Basic Financial Statements

This discussion and analysis is 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 required 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 position presents information on all of the Town's non-fiduciary assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

**TOWN OF BOURNE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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, community development 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 12-14 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 debt service 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 funds financial statements can be found on pages 15-18 of this report.

**TOWN OF BOURNE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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 funds financial statements can be found on pages 19-21 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 22-23 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 24-56 of this report.

Required supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is this management's discussion and analysis, budgetary comparisons for the general fund and community preservation fund, certain pension and other post employment benefits information, and notes to required supplementary information, which can be found on pages 57-64.

**TOWN OF BOURNE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Government-Wide Financial Analysis

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

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$94,198,809 at the close of the fiscal year and are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current Assets	\$ 40,665,402	\$ 41,765,284	\$ 10,098,760	\$ 11,243,440	\$ 50,764,162	\$ 53,008,724
Noncurrent Assets (Excluding Capital Assets)	615,886	653,553	4,577,067	3,956,125	5,192,953	4,609,678
Capital Assets (Net)	91,282,083	92,059,687	16,342,641	16,573,095	107,624,724	108,632,782
Total Assets	132,563,371	134,478,524	31,018,468	31,772,660	163,581,839	166,251,184
Liabilities						
Current Liabilities (Excluding Debt)	5,354,165	5,267,130	667,000	1,346,817	6,021,165	6,613,947
Noncurrent Liabilities (Excluding Debt)	21,541,285	17,731,089	5,781,539	4,920,696	27,322,824	22,651,785
Current Debt	8,535,244	7,266,301	3,662,602	1,916,118	12,197,846	9,182,419
Noncurrent Debt	17,343,461	20,031,905	6,497,734	8,190,229	23,841,195	28,222,134
Total Liabilities	52,774,155	50,296,425	16,608,875	16,373,860	69,383,030	66,670,285
Net Position						
Net Investment in Capital Assets	71,626,008	72,783,221	9,559,888	10,557,608	81,185,896	83,340,829
Restricted	11,626,432	10,573,835	-	-	11,626,432	10,573,835
Unrestricted	(3,463,224)	825,043	4,849,705	4,841,192	1,386,481	5,666,235
Total Net Position	\$ 79,789,216	\$ 84,182,099	\$ 14,409,593	\$ 15,398,800	\$ 94,198,809	\$ 99,580,899

The largest portion of the Town's net position (86.2%) reflects its net investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery and equipment, and infrastructure). 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 position (12.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (1.5% or \$1,386,481) may be used to meet the Town's ongoing obligations to citizens and creditors. The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of its net OPEB obligation. The Town has \$4,849,705 that may be used to support business-type activities.

**TOWN OF BOURNE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Changes in Net Position

For the fiscal year ended June 30, 2014, the Town's total net position decreased by \$5,382,090, compared to an increase of \$2,102,099 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for Services	\$ 5,258,115	\$ 5,520,979	\$ 12,248,537	\$ 13,492,918	\$ 17,506,652	\$ 19,013,897
Operating Grants and Contributions	16,007,013	17,819,030	28,791	38,792	16,035,804	17,857,822
Capital Grants and Contributions	791,417	806,261	-	-	791,417	806,261
General Revenues:						
Real Estate and Personal Property Taxes	39,712,815	38,071,168	-	-	39,712,815	38,071,168
Motor Vehicle and Other Excise Taxes	2,634,275	2,445,551	-	-	2,634,275	2,445,551
Penalties and Interest on Taxes	376,395	387,590	-	-	376,395	387,590
Payments in Lieu of Taxes	14,912	22,142	-	-	14,912	22,142
Community Preservation Surcharges	1,142,791	1,116,198	-	-	1,142,791	1,116,198
Grants and Contributions not Restricted to Specific Programs	1,791,045	1,751,033	-	-	1,791,045	1,751,033
Unrestricted Investment Income	55,277	40,356	-	-	55,277	40,356
Sale of Foreclosed Properties	170,000	402,000	-	-	170,000	402,000
Gain on Sale of Capital Assets	108,196	2,451	-	-	108,196	2,451
Other	290,969	41,769	-	-	290,969	41,769
Total Revenues	68,353,220	68,426,528	12,277,328	13,531,710	80,630,548	81,958,238
Expenses						
General Government	5,348,313	4,884,938	-	-	5,348,313	4,884,938
Public Safety	15,088,741	13,795,288	-	-	15,088,741	13,795,288
Education	45,666,867	43,607,907	-	-	45,666,867	43,607,907
Public Works	4,630,013	4,428,870	-	-	4,630,013	4,428,870
Health and Human Services	2,111,537	1,850,901	-	-	2,111,537	1,850,901
Culture and Recreation	1,741,718	1,629,556	-	-	1,741,718	1,629,556
Community Development	230,570	807,549	-	-	230,570	807,549
Debt Service - Interest	569,624	769,715	-	-	569,624	769,715
Sewer	-	-	958,756	795,882	958,756	795,882
Landfill	-	-	9,666,499	7,285,533	9,666,499	7,285,533
Total Expenses	75,387,383	71,774,724	10,625,255	8,081,415	86,012,638	79,856,139
Change in Net Position Before Transfers	(7,034,163)	(3,348,196)	1,652,073	5,450,295	(5,382,090)	2,102,099
Transfers, Net	2,641,280	3,561,424	(2,641,280)	(3,561,424)	-	-
Change in Net Position	(4,392,883)	213,228	(989,207)	1,888,871	(5,382,090)	2,102,099
Net Position - Beginning of Year	84,182,099	83,968,871	15,398,800	13,509,929	99,580,899	97,478,800
Net Position - End of Year	<u>\$ 79,789,216</u>	<u>\$ 84,182,099</u>	<u>\$ 14,409,593</u>	<u>\$ 15,398,800</u>	<u>\$ 94,198,809</u>	<u>\$ 99,580,899</u>

Governmental activities decreased the Town's net position by \$4,392,883. In the prior year, governmental activities increased the Town's net position by \$213,228. The key elements of this change are as follows:

- The prior year one-time landfill contribution (via transfer) of \$1,000,000 towards the new DPW facility capital project.
- A decrease in operating grants and contributions of approximately \$1,800,000.
- A reduction in the sale of foreclosed properties of approximately \$230,000.
- An increase in the net OPEB obligation compared to the prior year totaling approximately \$350,000.

**TOWN OF BOURNE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Business-type activities decreased the Town's net position by \$989,207. In the prior year, business-type activities increased the Town's net position by \$1,888,871. The key elements of this change are:

- Decrease in revenues of approximately \$1,244,000, resulting from a decrease in waste volumes received for municipal solid waste.
- Increase in closure costs of approximately \$970,000
- Increase in depreciation of approximately \$1,110,000

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, unassigned 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 \$23,565,456, a decrease of \$7,093,772 in comparison with the prior year. Approximately \$9,205,000 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$35,341)
- Restricted (\$11,077,862)
- Committed (\$3,102,789)
- Assigned (\$144,569)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the general fund's unassigned fund balance totaled \$9,616,590, while total fund balance was \$13,282,239. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 15% of total general fund expenditures and transfers out, while total fund balance represents 21% of that same amount.

The balance of the Town's general fund decreased by \$48,996 during fiscal year 2014. Although the Town recognized an approximate \$3,033,000 budgetary surplus (excluding encumbrances and continuing appropriations), the Town anticipated utilizing approximately \$3,994,000 of reserves to fund the budget.

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

The fund balance of the community preservation fund (special revenue) increased by \$432,749 during the current fiscal year. The fund's receipts included community preservation surcharges (\$1,150,820), intergovernmental revenue (\$652,303), penalties and interest on taxes (\$7,203), tax liens revenue (\$7,504), and investment income (\$2,204). Expenditures totaling approximately \$700,563 were incurred during the year and a transfer of \$686,722 was made to the general fund to cover community preservation related debt service.

**TOWN OF BOURNE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The fund balance of the debt service fund decreased by \$4,398,550 during the current fiscal year. The fund's expenditures included principal payments on debt totaling \$4,295,000 for the prior year refunding and related bond issuance costs of \$103,550.

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 position of the sewer and landfill enterprise funds at the end of the year amounted to \$835,983 and \$4,013,722, respectively. The sewer and landfill enterprise funds had a change in net position for the year of (\$180,987) and (\$808,220), respectively. 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 \$57,326,195 was increased by \$1,031,162 (1.8%) during the fiscal year. The following table summarizes the increase:

Purpose of Increase	Amount	Funding Source
Transfer to Stabilization Fund	\$ 450,000	Unassigned fund balance
Transfer to OPEB Trust Fund	100,000	Unassigned fund balance
Dredging	95,000	Transfer from waterways special revenue fund
Fund Town's Contractual Compensated Absences	70,000	Unassigned fund balance
Police Building Maintenance	50,720	Transfer from capital projects
Town Hall Security Upgrade	50,000	Transfer from capital projects
Centennial Celebration	50,000	Unassigned fund balance
Fire Department Building Improvements	41,100	Unassigned fund balance
Town Hall Selective Flooring	30,000	Transfer from capital projects
Town Hall Hybrid Vehicle	29,000	Unassigned fund balance
Fire Department Salaries	27,500	Unassigned fund balance
Public Works Moving Attachments	26,387	Transfer from capital projects
Paint Student Lockers	25,000	Transfer from capital projects
Town Administrator Salaries	25,000	Unassigned fund balance
Town Hall Maintenance Expenses	20,000	Unassigned fund balance
Public Works Expenses	14,000	Unassigned fund balance
Council on Aging Expenses	14,000	Unassigned fund balance
Finance Department IT Expenses	10,000	Unassigned fund balance
Community Building Maintenance	9,934	Transfer from capital projects
Town Planner Salaries	9,300	Unassigned fund balance
Unpaid Bills	7,386	Unassigned fund balance
Facilities Management Expenses	4,000	Unassigned fund balance
Library Expenses	4,000	Unassigned fund balance
Appropriation Deficits	160	Unassigned fund balance
Fire Contract Settlement Expenses	(117,154)	Unassigned fund balance
Debt Service Principal	(14,135)	Transfers from community preservation major fund
Community Building Renovations	(36)	Unassigned fund balance
	<u>\$ 1,031,162</u>	

**TOWN OF BOURNE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

During the year, revenues and other financing sources exceeded budgetary estimates, while expenditures and encumbrances and continuing appropriations were less than budgeted appropriations, resulting in a positive budget to actual variance of approximately \$1,825,000.

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 \$107,624,724 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment and infrastructure. The total decrease in the investment in capital assets for the current fiscal year totaled 0.9% (a 0.7% decrease for governmental activities and a 0.2% decrease for business-type activities).

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

- Landfill liner (\$988,138)
- DPW Facility Project (\$1,204,734)
- Fire Engine (\$554,696)
- Ambulance (\$234,451)

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 27,644,799	\$ 27,489,779	\$ 2,209,658	\$ 2,209,658	\$ 29,854,457	\$ 29,699,437
Construction in Progress	1,507,783	216,983	413,168	190,000	1,920,951	406,983
Land Improvements	2,244,504	2,363,725	4,053,402	4,486,540	6,297,906	6,850,265
Buildings and Improvements	50,599,911	52,975,749	3,818,378	4,005,638	54,418,289	56,981,387
Machinery and Equipment	3,666,899	3,276,472	2,550,978	2,203,272	6,217,877	5,479,744
Infrastructure	5,618,187	5,736,979	3,297,057	3,477,987	8,915,244	9,214,966
Total Capital Assets	\$ 91,282,083	\$ 92,059,687	\$ 16,342,641	\$ 16,573,095	\$ 107,624,724	\$ 108,632,782

Additional information on the Town's capital assets can be found in Note 5 on pages 40-42 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$28,021,014, which is backed by the full faith and credit of the Town, and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 19,742,000	\$ 26,978,000	\$ 7,978,000	\$ 9,842,000	\$ 27,720,000	\$ 36,820,000
MWPAT Notes	289,905	320,206	11,109	63,227	301,014	383,433
Total Bonds and Notes	\$ 20,031,905	\$ 27,298,206	\$ 7,989,109	\$ 9,905,227	\$ 28,021,014	\$ 37,203,433

The Town has a AA rating from Standard & Poor's for its most recent debt issuance on June 4, 2013.

**TOWN OF BOURNE, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Additional information on the Town's long-term debt can be found in Note 9 on pages 45-47 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.

TOWN OF BOURNE, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 14,257,367	\$ 7,741,275	\$ 21,998,642
Restricted Cash and Cash Equivalents	18,306,504	725,583	19,032,087
Investments	1,059,444	-	1,059,444
Restricted Investments	2,074,029	-	2,074,029
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	1,155,063	-	1,155,063
Tax and utility liens	669,643	61,801	731,444
Motor Vehicle and Other Excise Taxes	390,746	-	390,746
Community Preservation Surcharges	35,656	-	35,656
User Charges	-	1,569,696	1,569,696
Special Assessments	234,885	309	235,194
Departmental and Other	848,554	-	848,554
Intergovernmental	278,911	96	279,007
Working Capital Deposit (Health Claims)	1,354,600	-	1,354,600
Total Current Assets	40,665,402	10,098,760	50,764,162
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	4,545,989	4,545,989
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate Tax Deferrals	72,708	-	72,708
Special Assessments	102,567	31,078	133,645
Tax Foreclosures	440,611	-	440,611
Capital Assets not being Depreciated	29,152,582	2,622,826	31,775,408
Capital Assets, Net of Accumulated Depreciation	62,129,501	13,719,815	75,849,316
Total Noncurrent Assets	91,897,969	20,919,708	112,817,677
Total Assets	132,563,371	31,018,468	163,581,839
LIABILITIES			
Current Liabilities:			
Warrants Payable	1,849,336	498,922	2,348,258
Accrued Payroll	2,191,057	52,039	2,243,096
Tax refunds Payable	240,346	-	240,346
Other Liabilities	52,040	-	52,040
Liabilities Due Depositors	-	40,000	40,000
Accrued Interest	220,639	54,777	275,416
Accrued Health Claims Payable	620,000	-	620,000
Compensated Absences	180,747	21,262	202,009
Short-Term Notes Payable	5,846,800	2,014,800	7,861,600
Long-Term Bonds and Notes Payable	2,688,444	1,647,802	4,336,246
Total Current Liabilities	13,889,409	4,329,602	18,219,011
Noncurrent Liabilities:			
Landfill Closure	-	4,343,272	4,343,272
Compensated Absences	1,626,719	191,359	1,818,078
Net OPEB Obligation	19,914,566	1,246,908	21,161,474
Long-Term Bonds and Notes Payable	17,343,461	6,497,734	23,841,195
Total Noncurrent Liabilities	38,884,746	12,279,273	51,164,019
Total Liabilities	52,774,155	16,608,875	69,383,030
NET POSITION			
Net Investment in Capital Assets	71,626,008	9,559,888	81,185,896
Restricted for:			
OPEB	350,417	-	350,417
Community Preservation	4,867,762	-	4,867,762
Education	2,449,732	-	2,449,732
Ambulance	1,472,012	-	1,472,012
Affordable Housing	341,063	-	341,063
Debt Service	67,874	-	67,874
Permanent Funds:			
Expendable	215,775	-	215,775
Nonexpendable	35,341	-	35,341
Other Specific Purposes	1,826,456	-	1,826,456
Unrestricted	(3,463,224)	4,849,705	1,386,481
Total Net Position	\$ 79,789,216	\$ 14,409,593	\$ 94,198,809

See accompanying Notes to Basic Financial Statements.

**TOWN OF BOURNE, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expense)	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
PRIMARY GOVERNMENT					
Governmental Activities:					
General Government	\$ 5,348,313	\$ 366,447	\$ 47,461	\$ -	\$ (4,934,405)
Public Safety	15,088,741	3,948,616	676,024	-	(10,464,101)
Education	45,666,867	558,590	14,719,369	-	(30,388,908)
Public Works	4,630,013	40,095	115,126	139,114	(4,335,678)
Health and Human Services	2,111,537	231,086	277,950	-	(1,602,501)
Culture and Recreation	1,741,718	113,281	32,397	652,303	(943,737)
Community Development	230,570	-	103,806	-	(126,764)
Debt Service - Interest	569,624	-	34,880	-	(534,744)
Total Governmental Activities	<u>75,387,383</u>	<u>5,258,115</u>	<u>16,007,013</u>	<u>791,417</u>	<u>(53,330,838)</u>
Business-Type Activities:					
Sewer	958,756	897,652	2,644	-	(58,460)
Landfill	9,666,499	11,350,885	26,147	-	1,710,533
Total Business-Type Activities	<u>10,625,255</u>	<u>12,248,537</u>	<u>28,791</u>	<u>-</u>	<u>1,652,073</u>
Total Primary Government	<u>\$ 86,012,638</u>	<u>\$ 17,506,652</u>	<u>\$ 16,035,804</u>	<u>\$ 791,417</u>	<u>\$ (51,678,765)</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF BOURNE, MASSACHUSETTS
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
CHANGES IN NET POSITION			
Net Revenue (Expense) (from Previous Page)	\$ (53,330,838)	\$ 1,652,073	\$ (51,678,765)
General Revenues:			
Real Estate and Personal Property Taxes	39,712,815	-	39,712,815
Motor Vehicle and Other Excise Taxes	2,634,275	-	2,634,275
Penalties and Interest on Taxes	376,395	-	376,395
Payments in Lieu of Taxes	14,912	-	14,912
Community Preservation Surcharges	1,142,791	-	1,142,791
Grants and Contributions not Restricted to Specific Programs	1,791,045	-	1,791,045
Unrestricted Investment Income	55,277	-	55,277
Sale of Foreclosed Properties	170,000	-	170,000
Gain on Sale of Capital Assets	108,196	-	108,196
Other	290,969	-	290,969
Transfers, Net	2,641,280	(2,641,280)	-
Total General Revenues and Transfers	<u>48,937,955</u>	<u>(2,641,280)</u>	<u>46,296,675</u>
CHANGE IN NET POSITION	(4,392,883)	(989,207)	(5,382,090)
Net Position - Beginning of Year	<u>84,182,099</u>	<u>15,398,800</u>	<u>99,580,899</u>
NET POSITION - END OF YEAR	<u>\$ 79,789,216</u>	<u>\$ 14,409,593</u>	<u>\$ 94,198,809</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF BOURNE, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014**

	General	Community Preservation	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 14,257,367	\$ -	\$ -	\$ -	\$ 14,257,367
Investments	1,059,444	-	-	-	1,059,444
Receivables, Net of Allowance for Uncollectible Amounts:					
Real Estate and Personal Property Taxes	1,155,063	-	-	-	1,155,063
Real Estate Tax Deferrals	72,708	-	-	-	72,708
Tax Liens	652,436	16,420	-	787	669,643
Motor Vehicle and Other Excise Taxes	390,746	-	-	-	390,746
Community Preservation Surcharges	-	35,656	-	-	35,656
Special Assessments	233,451	-	-	104,001	337,452
Departmental and Other	-	-	-	848,554	848,554
Intergovernmental	107,711	-	-	171,200	278,911
Tax Foreclosures	440,611	-	-	-	440,611
Restricted Assets:					
Cash and Cash Equivalents	418,291	4,817,673	-	11,252,754	16,488,718
Investments	-	-	-	212,054	212,054
Total Assets	\$ 18,787,828	\$ 4,869,749	\$ -	\$ 12,589,350	\$ 36,246,927
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES:					
Warrants Payable	\$ 509,765	\$ 1,987	\$ -	\$ 236,597	\$ 748,349
Accrued Payroll	2,105,977	-	-	85,080	2,191,057
Tax Refunds Payable	240,346	-	-	-	240,346
Other Liabilities	52,040	-	-	-	52,040
Short-Term Notes Payable	-	-	-	5,846,800	5,846,800
Total Liabilities	2,908,128	1,987	-	6,168,477	9,078,592
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue	2,597,461	52,076	-	953,342	3,602,879
FUND BALANCES:					
Nonspendable	-	-	-	35,341	35,341
Restricted	418,291	4,815,686	-	5,843,885	11,077,862
Committed	3,102,789	-	-	-	3,102,789
Assigned	144,569	-	-	-	144,569
Unassigned	9,616,590	-	-	(411,695)	9,204,895
Total Fund Balances	13,282,239	4,815,686	-	5,467,531	23,565,456
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 18,787,828	\$ 4,869,749	\$ -	\$ 12,589,350	\$ 36,246,927

See accompanying Notes to Basic Financial Statements.

**TOWN OF BOURNE, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	General	Community Preservation	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real Estate and Personal Property Taxes	\$ 39,437,274	\$ -	\$ -	\$ -	\$ 39,437,274
Motor Vehicle and Other Excise Taxes	2,668,332	-	-	-	2,668,332
Tax Liens	276,856	7,504	-	-	284,360
Payments in Lieu of Taxes	14,912	-	-	-	14,912
Community Preservation Surcharges	-	1,150,820	-	-	1,150,820
Charges for Services	-	-	-	2,741,253	2,741,253
Intergovernmental	13,352,817	652,303	-	4,325,038	18,330,158
Special Assessments	51,115	-	-	-	51,115
Penalties and Interest on Taxes	369,192	7,203	-	-	376,395
Licenses and Permits	665,562	-	-	-	665,562
Fines and Forfeitures	158,229	-	-	-	158,229
Departmental and Other	1,688,286	-	-	178,679	1,866,965
Contributions	-	-	-	178,778	178,778
Investment Income	55,398	2,204	-	21,355	78,957
Total Revenues	58,737,973	1,820,034	-	7,445,103	68,003,110
EXPENDITURES					
Current:					
General Government	3,078,486	328,901	103,550	258,735	3,769,672
Public Safety	8,872,903	-	-	2,319,345	11,192,248
Education	22,995,005	-	-	4,224,049	27,219,054
Public Works	2,500,033	-	-	1,990,355	4,490,388
Health and Human Services	1,079,695	266,054	-	201,219	1,546,968
Culture and Recreation	799,639	105,608	-	155,698	1,060,945
Community Development	-	-	-	230,570	230,570
Pension Benefits	8,870,327	-	-	-	8,870,327
Employee Benefits	7,339,368	-	-	-	7,339,368
Property and Liability Insurance	1,176,521	-	-	-	1,176,521
State and County Charges	3,363,108	-	-	-	3,363,108
Debt Service:					
Principal	2,971,301	-	4,295,000	-	7,266,301
Interest	635,092	-	-	-	635,092
Total Expenditures	63,681,478	700,563	4,398,550	9,379,971	78,160,562
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,943,505)	1,119,471	(4,398,550)	(1,934,868)	(10,157,452)
OTHER FINANCING SOURCES (USES)					
Transfers In	4,816,032	-	-	118,060	4,934,092
Premium from Issuance of Bonds and Notes	20,562	-	-	14,318	34,880
Sale of Foreclosed Properties	170,000	-	-	-	170,000
Sale of Capital Assets	5,975	-	-	211,545	217,520
Transfers Out	(118,060)	(686,722)	-	(1,488,030)	(2,292,812)
Total Other Financing Sources (Uses)	4,894,509	(686,722)	-	(1,144,107)	3,063,680
NET CHANGE IN FUND BALANCES	(48,996)	432,749	(4,398,550)	(3,078,975)	(7,093,772)
Fund Balances at Beginning of Year	13,331,235	4,382,937	4,398,550	8,546,506	30,659,228
FUND BALANCES AT END OF YEAR	\$ 13,282,239	\$ 4,815,686	\$ -	\$ 5,467,531	\$ 23,565,456

See accompanying Notes to Basic Financial Statements.

**TOWN OF BOURNE, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Governmental Fund Balances (page 15)	\$ 23,565,456
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	91,282,083
Certain accounts receivable are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.	3,602,879
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.	(220,639)
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	(20,031,905)
Compensated Absences	(1,807,466)
Net OPEB Obligation	(19,914,565)
An internal service fund is used by management to account for health insurance activities. The assets and liabilities of the internal service fund is reported as governmental activities in the statement of net position	3,313,373
Net Position of Governmental Activities (page 12)	\$ 79,789,216

See accompanying Notes to Basic Financial Statements.

**TOWN OF BOURNE, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances - Total Governmental Funds (page 16)	\$ (7,093,772)
<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	3,010,281
Depreciation	(3,774,494)
<p>In the statement of activities, the loss on the disposal of capital assets is reported, whereas in the governmental funds the disposal is not reported as financial resources. As a result, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed.</p>	
	(13,391)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for certain 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 inflows of resources.</p>	
	37,032
<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 position. This amount represents the related activity of the current period.</p>	
Bond Maturities	7,266,301
<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>	
	65,469
<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 changes:</p>	
Compensated Absences	(1,135)
Net OPEB Obligation	(3,809,174)
<p>An internal service fund is used by management to account for health insurance activities. The net activity of the internal service fund is reported with governmental activities.</p>	
	<u>(80,000)</u>
Change in Net Position of Governmental Activities (page 14)	<u>\$ (4,392,883)</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF BOURNE, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CHANGES IN FUND NET POSITION
 JUNE 30, 2014**

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Sewer</u>	<u>Landfill</u>	<u>Total</u>	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 978,559	\$ 6,762,715	\$ 7,741,274	\$ -
Restricted Cash and Cash Equivalents	29,520	696,063	725,583	1,817,786
Restricted Investments	-	-	-	1,861,975
Receivables, Net of Allowance for Uncollectible Amounts:				
User Charges	86,850	1,482,845	1,569,695	-
Utility Liens	61,801	-	61,801	-
Special Assessments	309	-	309	-
Intergovernmental	96	-	96	-
Working Capital Deposit	-	-	-	1,354,600
Total Current Assets	<u>1,157,135</u>	<u>8,941,623</u>	<u>10,098,758</u>	<u>5,034,361</u>
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	-	4,545,989	4,545,989	-
Receivables, Net of Allowance for Uncollectible Amounts:				
Special Assessments	31,078	-	31,078	-
Capital Assets not being Depreciated	-	2,622,826	2,622,826	-
Capital Assets, Net of Accumulated Depreciation	3,392,901	10,326,914	13,719,815	-
Total Noncurrent Assets	<u>3,423,979</u>	<u>17,495,729</u>	<u>20,919,708</u>	<u>-</u>
Total Assets	<u>4,581,114</u>	<u>26,437,352</u>	<u>31,018,466</u>	<u>5,034,361</u>
LIABILITIES				
Current Liabilities:				
Warrants Payable	173,100	325,820	498,920	1,100,988
Accrued Payroll	4,215	47,824	52,039	-
Liabilities Due Depositors	-	40,000	40,000	-
Accrued Interest	644	54,133	54,777	-
Accrued Health Claims Payable	-	-	-	620,000
Compensated Absences	3,365	17,897	21,262	-
Short-Term Notes Payable	54,800	1,960,000	2,014,800	-
Long-Term Bonds and Notes Payable	11,109	1,636,693	1,647,802	-
Total Current Liabilities	<u>247,233</u>	<u>4,082,367</u>	<u>4,329,600</u>	<u>1,720,988</u>
Noncurrent Liabilities:				
Landfill Closure and Post-Closure	-	4,343,272	4,343,272	-
Compensated Absences	30,289	161,070	191,359	-
Net OPEB Obligation	111,097	1,135,811	1,246,908	-
Long-Term Bonds and Notes Payable	-	6,497,734	6,497,734	-
Total Noncurrent Liabilities	<u>141,386</u>	<u>12,137,887</u>	<u>12,279,273</u>	<u>-</u>
Total Liabilities	<u>388,619</u>	<u>16,220,254</u>	<u>16,608,873</u>	<u>1,720,988</u>
FUND NET POSITION				
Net Investment in Capital Assets	3,356,512	6,203,376	9,559,888	-
Unrestricted	835,983	4,013,722	4,849,705	3,313,373
Total Net Position	<u>\$ 4,192,495</u>	<u>\$ 10,217,098</u>	<u>\$ 14,409,593</u>	<u>\$ 3,313,373</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF BOURNE, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Sewer</u>	<u>Landfill</u>	<u>Total</u>	
OPERATING REVENUES				
Charges for Services	\$ 884,486	\$ 11,350,885	\$ 12,235,371	\$ -
Penalties and Interest	13,166	-	13,166	-
Employer Contributions	-	-	-	6,921,696
Employee Contributions	-	-	-	2,315,156
Total Operating Revenues	<u>897,652</u>	<u>11,350,885</u>	<u>12,248,537</u>	<u>9,236,852</u>
OPERATING EXPENSES				
Cost of Service and Administration	526,271	5,765,323	6,291,594	-
Town of Wareham Assessment	188,478	-	188,478	-
Repairs and Maintenance	52,688	332,640	385,328	-
Depreciation	190,093	2,027,255	2,217,348	-
Closure Costs	-	1,280,206	1,280,206	-
Employee Benefits	-	-	-	9,536,419
Total Operating Expenses	<u>957,530</u>	<u>9,405,424</u>	<u>10,362,954</u>	<u>9,536,419</u>
OPERATING INCOME	<u>(59,878)</u>	<u>1,945,461</u>	<u>1,885,583</u>	<u>(299,567)</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	594	-	594	-
Investment Income	1,697	14,417	16,114	219,567
Premium from Issuance of Bonds and Notes	353	11,730	12,083	-
Interest Expense	(1,226)	(214,162)	(215,388)	-
Loss on Disposal of Capital Assets	-	(46,913)	(46,913)	-
Total Nonoperating Revenues (Expenses), Net	<u>1,418</u>	<u>(234,928)</u>	<u>(233,510)</u>	<u>219,567</u>
INCOME BEFORE TRANSFERS	(58,460)	1,710,533	1,652,073	(80,000)
TRANSFERS				
Transfers Out	<u>(122,527)</u>	<u>(2,518,753)</u>	<u>(2,641,280)</u>	<u>-</u>
CHANGE IN FUND NET POSITION	(180,987)	(808,220)	(989,207)	(80,000)
Fund Net Position at Beginning of Year	<u>4,373,482</u>	<u>11,025,318</u>	<u>15,398,800</u>	<u>3,393,373</u>
FUND NET POSITION AT END OF YEAR	<u>\$ 4,192,495</u>	<u>\$ 10,217,098</u>	<u>\$ 14,409,593</u>	<u>\$ 3,313,373</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF BOURNE, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	Sewer	Landfill	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 962,321	\$ 11,189,059	\$ 12,151,380	\$ 2,315,156
Receipts from Interfund Services Provided	-	-	-	6,921,696
Payments to Vendors	(682,029)	(5,623,188)	(6,305,217)	-
Payments to Employees	(140,444)	(1,508,276)	(1,648,720)	-
Payments for Interfund Services Used	-	-	-	(9,312,107)
Net Cash Provided (Used) by Operating Activities	<u>139,848</u>	<u>4,057,595</u>	<u>4,197,443</u>	<u>(75,255)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers Out	(122,527)	(2,518,753)	(2,641,280)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the Issuance of Bonds and Notes	54,800	1,960,000	2,014,800	-
Premium from the Issuance of Bonds and Notes	353	11,730	12,083	-
Intergovernmental	594	-	594	-
Acquisition and Construction of Capital Assets	(32,480)	(2,001,327)	(2,033,807)	-
Principal Payments on Bonds and Notes	(51,948)	(1,840,000)	(1,891,948)	-
Interest Expense	(1,226)	(269,500)	(270,726)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(29,907)</u>	<u>(2,139,097)</u>	<u>(2,169,004)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Sales (Purchases) of Investments, Net	-	-	-	(657,048)
Investment Income	1,697	14,417	16,114	219,567
Net Cash Provided (Used) by Investing Activities	<u>1,697</u>	<u>14,417</u>	<u>16,114</u>	<u>(437,481)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(10,889)	(585,838)	(596,727)	(512,736)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Includes \$7,200, \$4,698,063 and \$2,330,522 reported as restricted in the sewer and landfill enterprise funds and internal service fund, respectively)	<u>1,018,968</u>	<u>12,590,605</u>	<u>13,609,573</u>	<u>2,330,522</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$29,520, \$5,242,052 and \$1,817,786 reported as restricted in the sewer and landfill enterprise funds and internal service fund, respectively)	<u>\$ 1,008,079</u>	<u>\$ 12,004,767</u>	<u>\$ 13,012,846</u>	<u>\$ 1,817,786</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (59,878)	\$ 1,945,461	\$ 1,885,583	\$ (299,567)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Adjustments Not Requiring Current Cash Flows:				
Depreciation	190,093	2,027,255	2,217,348	-
Net OPEB Obligation	19,757	212,874	232,631	-
Adjustments Requiring Current Cash Flows:				
Effect of Changes in Operating Assets and Liabilities:				
Utility Liens	5,052	-	5,052	-
User Charges	24,399	(181,826)	(157,427)	-
Special Assessments	35,218	-	35,218	-
Intergovernmental	-	20,000	20,000	-
Working Capital Deposit	-	-	-	59,900
Warrants Payable	(78,030)	(607,779)	(685,809)	80,151
Accrued Payroll	1,053	12,647	13,700	-
Accrued Health Claims Payable	-	-	-	84,261
Landfill closure and postclosure care	-	601,794	601,794	-
Compensated Absences	2,184	27,169	29,353	-
Total Adjustments	<u>199,726</u>	<u>2,112,134</u>	<u>2,311,860</u>	<u>224,312</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 139,848</u>	<u>\$ 4,057,595</u>	<u>\$ 4,197,443</u>	<u>\$ (75,255)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Intergovernmental Debt Subsidies (MWPAT)	<u>\$ 24,765</u>	<u>\$ -</u>	<u>\$ 24,765</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF BOURNE, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 36,018</u>	<u>\$ 483,366</u>
LIABILITIES		
Liabilities Due Depositors	<u>-</u>	<u>\$ 483,366</u>
NET POSITION		
Held in Trust for Other Purposes	<u>\$ 36,018</u>	

See accompanying Notes to Basic Financial Statements.

**TOWN OF BOURNE, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	Private Purpose Trust Funds
ADDITIONS	
Net Investment Income:	
Interest	\$ 2,429
 DEDUCTIONS	
Other	500
 CHANGE IN NET POSITION	1,929
 Net Position - Beginning of Year	34,089
 NET POSITION - END OF YEAR	\$ 36,018

See accompanying Notes to Basic Financial Statements.

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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 (Board).

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 means 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. The following table identifies the Town's joint venture and related information:

<u>Name</u>	<u>Purpose</u>	<u>Address</u>	<u>Fiscal Year 2014 Assessment</u>
Upper Cape Cod Regional Technical School	Annual Assessment	220 Sandwich Road Bourne, MA 02532	\$ 2,162,131

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. Separate audited financial statements of the School may be obtained by contacting the School at 220 Sandwich Road, Bourne, Massachusetts 02532.

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Implementation of New Accounting Principles

For the year ending June 30, 2014, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*
- GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*
- GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

The implementation of GASB Statement No. 65 established financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB Statement No. 65 had no retrospective reporting impact for the Town.

The implementation of GASB Statement No.'s 66, 67 and 70 had no reporting impact for the Town.

D. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and the statement of 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.

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation

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.

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The following major governmental funds are reported:

The *general fund* is used to account for and report all financial resources not accounted for and reported 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 *debt service fund* is used to account for the fiscal year 2013 current refunding transaction that was completed in fiscal year 2014.

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:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

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.

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The following major proprietary funds are reported:

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

The *landfill enterprise fund* is used to account for the Town's 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 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.

F. Cash and Cash Equivalents 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.

G. Accounts Receivable

Government-Wide and Fund Financial Statements

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

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable (Continued)

Real Estate Taxes, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1 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 1, November 1, February 1, and May 1 and are subject to penalties and interest if they are not paid by the respective due date.

Real estate tax liens are processed during the fourth quarter of each fiscal 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 1, November 1, February 1, and May 1 and is 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 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 of ambulance service accounts receivable and are recorded as receivables when the service has been performed.

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable (Continued)

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.

H. 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

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, real estate tax deferrals and liens
- Community preservation surcharges
- Special assessments
- User charges (sewer)

Intergovernmental receivables are considered 100% collectible.

I. 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.

J. 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.

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Government-Wide and Proprietary Funds Financial Statements

Capital assets, which consist of land, construction in progress, land improvements, buildings and improvements, machinery and equipment, 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 or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$20,000 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 subject to capitalization.

Governmental Funds Financial Statements

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

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

Transactions of a buyer/seller nature between 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.

M. Interfund Transfers

During the course of its operations, resources are permanently reallocated between 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 position. 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.

N. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period (s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

The Town does not have any items that qualify for reporting in this category.

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period (s) and so will not be recognized as an inflow of resources (expense/expenditure) until that time.

Unavailable revenue is reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the availability criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

P. Net Position and Fund Balances

Government-Wide Financial Statements and Proprietary Funds Financial Statements (Net Position)

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

Net position has been “restricted” for the following:

“OPEB” represents amounts restricted for other postemployment benefits.

“Community Preservation” represents amounts restricted for the purpose of acquiring land for conservation, recreational, and affordable housing purposes.

“Education” represents amounts restricted for various education purposes.

“Ambulance” represents amounts restricted for ambulance related activities.

“Affordable Housing” represents amounts restricted for the creation and preservation of affordable housing within the Town.

“Debt Service” represents amounts restricted for the future payment of long-term debt service costs.

“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 other restrictions placed on assets from outside parties.

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable – represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Balances (Continued)

Restricted – represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – represents amounts that can be used only for specific purposes imposed by a formal action of Town Meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded only through actions approved by Town Meeting.

Assigned – represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town’s structure, only authorized assignments for non-contractual encumbrances can be made by individual department heads.

Unassigned – represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

Q. Long-Term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary funds statements of net position. 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. Issuance costs are expensed in the year incurred.

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.

R. 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).

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Investment Income (Continued)

Investment income from permanent, proprietary and fiduciary funds is retained in the funds.

S. 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 Funds 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.

T. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits and as more fully described in Note 11, the Town provides health insurance coverage for current and future retirees and their spouses.

U. 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.

V. 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.

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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 to the budget subsequent to Annual Town Meeting approval 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 legal level of spending control (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service and certain other items, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund and community preservation (CPA) fund in conformity with the guidelines described above. The original fiscal year 2014 approved budget for the general fund authorized approximately \$57,326,000 in appropriations. During fiscal year 2014, supplemental appropriations totaling approximately \$1,031,000 for the general fund were authorized. The original fiscal year 2014 approved budget for the CPA fund authorized approximately \$828,000 in appropriations. During fiscal year 2014, supplemental appropriations totaling approximately \$302,000 for the CPA fund were authorized.

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

The budgetary comparison schedules presented in the accompanying required supplementary information presents comparisons of the legally adopted budget, as amended, with actual results. The originally adopted budget is presented for purposes of comparison to the final, amended budget.

B. Fund Deficits

At June 30, 2014, the following fund deficits exist:

Fund	Amount	Funding Source
Energy & Environmental Grant	\$ 116,925	Federal grant
Community Development Block Grant	99,492	Federal grant
Title I Distribution	67,375	Federal grant
Police Detail	38,109	Charges for services
Quality Full-Day Kindergarten	36,281	State grant
State 911 Incentive Grant	14,537	State grant
SAFER Grant	14,313	Federal grant
911 Support & Incentive Grant	13,397	State grant
Other governmental funds	11,265	Grants and available funds
Total	\$ 411,695	

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

C. Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2014, expenditures exceeded appropriations for public works (snow and ice) and debt service interest expenditures totaling \$400,161 and \$2,921, respectively.

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 Treasurer also has expanded investment powers as it related to certain trust funds (as defined by the Commonwealth), permanent funds and fiduciary funds.

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 the permanent and private purpose trust funds are held separately from other Town funds.

A. 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 of deposits. As of June 30, 2014, \$1,353,839 of the Town's bank balance of \$40,777,627 was uninsured and uncollateralized.

B. Investments Summary

The Town's investments (including short-term investments) at June 30, 2014 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
Debt Securities:				
U.S. Treasuries	\$ 676,505	\$ 229,157	\$ 392,680	\$ 54,668
U.S. Agencies	1,967,675	386,652	1,383,949	197,074
Corporate bonds	335,619	50,968	284,651	-
Money market mutual funds	411,912	411,912	-	-
Mutual bond funds	181,232	181,232	-	-
External investment pools	4,153,544	4,153,544	-	-
Total debt securities	7,726,487	\$ 5,413,466	\$ 2,061,280	\$ 251,742
Other Investments:				
Equity securities	540,327			
Equity mutual funds	601,539			
Total other investments	1,141,866			
Total investments	\$ 8,868,354			

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. 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.

D. 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, 2014, 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	\$ 676,505	\$ 676,505
U.S. Agencies	1,967,675	1,967,675
Corporate Bonds	335,619	335,619
Money Market Mutual Funds	411,912	411,912
Mutual Bond Funds	181,232	181,232
Equity Securities	540,327	540,327
Equity Mutual Funds	601,539	601,539
Total	\$ 4,714,809	\$ 4,714,809

E. Investments – Credit Risk of Debt Securities

Credit risk for investments 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, 2014, the credit quality ratings of the Town’s debt securities are as follows:

Investment Type	Fair Value	AA+*	A*	Unrated
Corporate bonds.....	\$ 335,619	\$ 143,229	\$ 192,390	\$ -
Money market mutual funds.....	411,912	-	-	411,912
Mutual bond funds.....	181,232	-	-	181,232
External investment pools.....	4,153,544	-	-	4,153,544
Total.....	\$ 5,082,307	\$ 143,229	\$ 192,390	\$ 4,746,689

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

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

F. 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, 2014, the Town was not exposed to concentration of credit risk.

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2014, receivables for the individual major governmental funds and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real Estate and Personal Property Taxes	\$ 1,261,035	\$ (105,972)	\$ 1,155,063
Real Estate Tax Deferrals	72,708	-	72,708
Tax Liens	669,643	-	669,643
Motor Vehicle and Other Excise Taxes	580,680	(189,934)	390,746
Community Preservation Surcharges	35,656	-	35,656
Special Assessments	337,452	-	337,452
Departmental and Other	1,474,147	(625,593)	848,554
Intergovernmental	278,911	-	278,911
	<u>\$ 4,710,232</u>	<u>\$ (921,499)</u>	<u>\$ 3,788,733</u>

At June 30, 2014, receivables for the enterprise funds, including the applicable allowances for uncollectible amounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
User Charges	\$ 1,626,811	\$ (57,115)	\$ 1,569,696
Utility Liens	61,801	-	61,801
Special Assessments	31,387	-	31,387
Intergovernmental	96	-	96
	<u>\$ 1,720,095</u>	<u>\$ (57,115)</u>	<u>\$ 1,662,980</u>

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 27,489,779	\$ 155,020	\$ -	\$ 27,644,799
Construction in Progress	216,983	1,386,733	(95,933)	1,507,783
Total Capital Assets Not Being Depreciated	<u>27,706,762</u>	<u>1,541,753</u>	<u>(95,933)</u>	<u>29,152,582</u>
Capital Assets Being Depreciated:				
Land improvements	3,372,721	40,369	-	3,413,090
Buildings and improvements	85,128,808	57,720	-	85,186,528
Machinery and Equipment	14,796,328	1,326,863	(344,845)	15,778,346
Infrastructure	7,582,794	139,509	-	7,722,303
Total Capital Assets Being Depreciated	<u>110,880,651</u>	<u>1,564,461</u>	<u>(344,845)</u>	<u>112,100,267</u>
Land Improvements	(1,008,996)	(159,590)	-	(1,168,586)
Buildings and Improvements	(32,153,059)	(2,433,558)	-	(34,586,617)
Machinery and Equipment	(11,519,856)	(923,045)	331,454	(12,111,447)
Infrastructure	(1,845,815)	(258,301)	-	(2,104,116)
Total Accumulated Depreciation	<u>(46,527,726)</u>	<u>(3,774,494)</u>	<u>331,454</u>	<u>(49,970,766)</u>
Total Capital Assets Being Depreciated, Net	<u>64,352,925</u>	<u>(2,210,033)</u>	<u>(13,391)</u>	<u>62,129,501</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 92,059,687</u>	<u>\$ (668,280)</u>	<u>\$ (109,324)</u>	<u>\$ 91,282,083</u>

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities - Sewer Enterprise:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 784,216	\$ 32,480	\$ -	\$ 816,696
Other	1,332,118	-	-	1,332,118
Infrastructure	7,326,791	-	-	7,326,791
Total Capital Assets Being Depreciated	<u>9,443,125</u>	<u>32,480</u>	<u>-</u>	<u>9,475,605</u>
Less accumulated depreciation for:				
Machinery and Equipment	(711,689)	(9,163)	-	(720,852)
Other	(1,332,118)	-	-	(1,332,118)
Infrastructure	(3,848,804)	(180,930)	-	(4,029,734)
Total Accumulated Depreciation	<u>(5,892,611)</u>	<u>(190,093)</u>	<u>-</u>	<u>(6,082,704)</u>
Total Capital Assets Being Depreciated, Net	<u>3,550,514</u>	<u>(157,613)</u>	<u>-</u>	<u>3,392,901</u>
Total Sewer Enterprise Capital Assets, Net	<u>\$ 3,550,514</u>	<u>\$ (157,613)</u>	<u>\$ -</u>	<u>\$ 3,392,901</u>
Business-Type Activities - Landfill Enterprise:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,209,658	\$ -	\$ -	\$ 2,209,658
Construction in Progress	190,000	223,168	-	413,168
Total Capital Assets Not Being Depreciated	<u>2,399,658</u>	<u>223,168</u>	<u>-</u>	<u>2,622,826</u>
Capital assets being Depreciated:				
Land Improvements	9,049,049	988,138	-	10,037,187
Buildings and Improvements	10,622,518	-	-	10,622,518
Machinery and Equipment	5,716,291	790,021	(175,924)	6,330,388
Total Capital Assets Being Depreciated	<u>25,387,858</u>	<u>1,778,159</u>	<u>(175,924)</u>	<u>26,990,093</u>
Less accumulated depreciation for:				
Land Improvements	(4,562,509)	(1,421,276)	-	(5,983,785)
Buildings and Improvements	(6,616,880)	(187,260)	-	(6,804,140)
Machinery and Equipment	(3,585,546)	(418,719)	129,011	(3,875,254)
Total Accumulated Depreciation	<u>(14,764,935)</u>	<u>(2,027,255)</u>	<u>129,011</u>	<u>(16,663,179)</u>
Total Capital Assets Being Depreciated, Net	<u>10,622,923</u>	<u>(249,096)</u>	<u>(46,913)</u>	<u>10,326,914</u>
Total Landfill Enterprise Capital Assets, Net	<u>\$ 13,022,581</u>	<u>\$ (25,928)</u>	<u>\$ (46,913)</u>	<u>\$ 12,949,740</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 16,573,095</u>	<u>\$ (183,541)</u>	<u>\$ (46,913)</u>	<u>\$ 16,342,641</u>

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
General Government	\$ 156,133
Public Safety	474,994
Education	2,329,485
Public Works	464,128
Health and Human Services	11,794
Culture and Recreation	<u>337,960</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 3,774,494</u></u>
Business-Type Activities:	
Sewer	\$ 190,093
Landfill	<u>2,027,255</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 2,217,348</u></u>

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2014 are summarized as follows:

	Transfers In:		
Transfers Out:	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 118,060	\$ 118,060 (1)
Community Preservation Fund	686,722	-	686,722 (2)
Nonmajor Governmental Funds	1,488,030	-	1,488,030 (3)
Sewer Enterprise Fund	122,527	-	122,527 (4)
Landfill Enterprise Fund	<u>2,518,753</u>	<u> </u>	<u>2,518,753 (5)</u>
	<u><u>\$ 4,816,032</u></u>	<u><u>\$ 118,060</u></u>	<u><u>\$ 4,934,092</u></u>

- (1) Represents transfers to the capital projects fund (\$6,601) and waterways maintenance fund (\$111,459)
- (2) Represents budgeted transfer to fund debt service
- (3) Represents budgeted transfers to fund a portion of the fiscal year 2014 operating budget from the ambulance fund (\$900,000), waterway improvements fund (\$205,500), capital project funds (\$192,041), federal impact aid fund (\$130,000), community septic management program (\$30,489) and conservation commission receipts reserved fund (\$30,000).
- (4) Represents budgeted transfer of indirect costs (\$122,527).
- (5) Represents budgeted transfers of indirect costs (\$1,887,445) and the host community fees (\$600,000). Also represents additional transfer of host community fees (\$31,308).

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014 is as follows:

Notes Payable – Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2013	Increases	Decreases	Balance at June 30, 2014
BAN	Fire Engine	12/9/13	12/9/14	0.50%	\$ -	\$ 575,000	\$ -	\$ 575,000
BAN	Police Cruisers	3/5/14	12/2/14	1.00%	-	159,400	-	159,400
BAN	Police Portable Radios	3/5/14	12/2/14	1.00%	-	35,400	-	35,400
BAN	Ambulance	3/5/14	12/2/14	1.00%	-	245,000	-	245,000
BAN	Fire - Replacement Car	3/5/14	12/2/14	1.00%	-	45,000	-	45,000
BAN	Fire - Equipment Grant Match	3/5/14	12/2/14	1.00%	-	50,000	-	50,000
BAN	Pier and Dock Renovations	3/5/14	12/2/14	1.00%	-	200,000	-	200,000
BAN	School Technology Plan	3/5/14	12/2/14	1.00%	-	214,000	-	214,000
BAN	School Asbestos Abatement	3/5/14	12/2/14	1.00%	-	110,000	-	110,000
BAN	DPW M2 1/2 Ton Pickup	3/5/14	12/2/14	1.00%	-	33,000	-	33,000
BAN	DPW T1 Dump/Sander Truck	3/5/14	12/2/14	1.00%	-	145,000	-	145,000
BAN	Emergency Power Upgrades	3/5/14	12/2/14	1.00%	-	410,000	-	410,000
BAN	DPW Facility Construction	3/5/14	12/2/14	1.00%	-	3,000,000	-	3,000,000
BAN	Road Repairs	3/5/14	12/2/14	1.00%	-	625,000	-	625,000
	Total				\$ -	\$ 5,846,800	\$ -	\$ 5,846,800

Notes Payable – Enterprise Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2013	Increases	Decreases	Balance at June 30, 2014
BAN	ISWM R1 Recycle Truck	3/5/14	12/2/14	1.00%	\$ -	\$ 140,000	\$ -	\$ 140,000
BAN	ISWM 5 Cubic Yard Wheel Loader	3/5/14	12/2/14	1.00%	-	300,000	-	300,000
BAN	ISWM 25 Ton Hydraulic Excavator	3/5/14	12/2/14	1.00%	-	220,000	-	220,000
BAN	ISWM Phase IV Stage II Liner	3/5/14	12/2/14	1.00%	-	1,300,000	-	1,300,000
BAN	Sewer Grinder Pumps	3/5/14	12/2/14	1.00%	-	54,800	-	54,800
	Total				\$ -	\$ 2,014,800	\$ -	\$ 2,014,800

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 LONG-TERM OBLIGATIONS

During fiscal year ended June 30, 2014, the following changes occurred in long-term liabilities:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion
Governmental Activities:					
Bonds and Notes Payable	\$ 27,298,206	\$ -	\$ (7,266,301)	\$ 20,031,905	\$ 2,688,444
Net OPEB Obligation	16,105,392	5,925,901	(2,116,727)	19,914,566	-
Compensated Absences	1,806,331	1,135	-	1,807,466	180,747
Total	<u>\$ 45,209,929</u>	<u>\$ 5,927,036</u>	<u>\$ (9,383,028)</u>	<u>\$ 41,753,937</u>	<u>\$ 2,869,191</u>
Business-type Activities:					
Bonds and Notes Payable	\$ 9,905,227	\$ -	\$ (1,916,118)	\$ 7,989,109	\$ 1,603,109
Unamortized Bond Premiums	201,120	-	(44,693)	156,427	44,693
Total Bonds and Notes Payable	10,106,347	-	(1,960,811)	8,145,536	1,647,802
Net OPEB Obligation	1,014,277	361,903	(129,272)	1,246,908	-
Landfill Closure	3,741,478	1,280,206	(678,412)	4,343,272	-
Compensated Absences	183,268	29,353	-	212,621	21,262
Total	<u>\$ 15,045,370</u>	<u>\$ 1,671,462</u>	<u>\$ (2,768,495)</u>	<u>\$ 13,948,337</u>	<u>\$ 1,669,064</u>

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

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2014 and the debt service requirements are as follows:

Bonds and Notes Payable – Governmental Funds

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
MWPAT Pool 9 97-1038-1	02/01/24	0.00%	\$ 107,206	\$ -	\$ (9,901)	\$ 97,305
MWPAT Title V 97-1038	02/01/26	0.00%	83,000	-	(10,400)	72,600
MWPAT Pool 11 T5-97-1038-2	07/15/25	0.00%	130,000	-	(10,000)	120,000
Town Hall Repair	05/15/15	5.02%	285,000	-	(95,000)	190,000
Community Center	07/15/13	3.55%	2,407,000	-	(2,407,000)	-
Land for Community Center	07/15/13	3.47%	152,000	-	(152,000)	-
Police Remodeling	07/15/13	2.97%	6,000	-	(6,000)	-
Library Roof	07/15/13	3.19%	54,000	-	(54,000)	-
Land Acquisition	07/15/13	3.52%	651,000	-	(651,000)	-
Land Acquisition	07/15/13	3.53%	1,107,000	-	(1,107,000)	-
Land Acquisition	07/15/13	3.57%	523,000	-	(523,000)	-
Land Acquisition	01/15/25	3.87%	1,750,000	-	(150,000)	1,600,000
School Plans	01/15/25	3.85%	210,000	-	(20,000)	190,000
Municipal Purpose Loan	07/01/27	4.25%	3,047,000	-	(314,000)	2,733,000
Municipal Purpose Loan	09/15/29	3.14%	6,180,000	-	(633,000)	5,547,000
School Refunding	06/15/16	2.00% - 3.00%	445,000	-	(195,000)	250,000
Municipal Purpose Loan	09/15/31	1.50% - 4.00%	3,081,000	-	(499,000)	2,582,000
Municipal Purpose Loan	12/15/15	2.00% - 3.00%	2,785,000	-	(430,000)	2,355,000
General Obligation Bonds Refunding	07/15/22	2.00%	4,295,000	-	-	4,295,000
Total Governmental Funds			\$ 27,298,206	\$ -	\$ (7,266,301)	\$ 20,031,905

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

Fiscal Year	Principal	Interest	Total
2015	\$ 2,688,444	\$ 567,093	\$ 3,255,537
2016	2,336,444	495,600	2,832,044
2017	1,931,444	431,972	2,363,416
2018	1,669,444	383,377	2,052,821
2019	1,611,444	337,416	1,948,860
2020	1,565,817	293,858	1,859,675
2021	1,525,617	251,525	1,777,142
2022	1,390,417	210,153	1,600,570
2023	1,155,417	172,165	1,327,582
2024	830,417	139,572	969,989
2025	821,000	110,803	931,803
2026	649,000	81,724	730,724
2027	495,000	61,158	556,158
2028	480,000	42,731	522,731
2029	355,000	26,671	381,671
2030	344,000	13,161	357,161
2031	94,000	4,871	98,871
2032	89,000	1,613	90,613
Total	\$ 20,031,905	\$ 3,625,463	\$ 23,657,368

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 LONG TERM DEBT (CONTINUED)

Bonds and Notes Payable –Enterprise Funds

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
MWPAT Sewer 91-21	02/01/14	0.00%	\$ 41,608	\$ -	\$ (41,608)	\$ -
MWPAT Sewer 93-15	02/01/15	3.60%	21,619	-	(10,510)	11,109
Landfill Water Main	05/15/16	5.05%	15,000	-	(5,000)	10,000
Landfill Liner	01/15/16	3.77%	900,000	-	(300,000)	600,000
ISWM Landfill Phase 3 Stage 3	07/01/27	3.14%	313,000	-	(21,000)	292,000
Sewer Replace Pumps and Panels	09/15/13	3.14%	24,000	-	(24,000)	-
ISWM Landfill Phase IIA/IIIA Liner	09/15/29	3.14%	1,870,000	-	(110,000)	1,760,000
ISWM Komatsu 155A Dozer	09/15/13	3.14%	150,000	-	(150,000)	-
ISWM Gas Generator and App	09/15/13	3.14%	85,000	-	(85,000)	-
ISWM Landfill Processing Center	09/15/29	3.14%	293,000	-	(19,000)	274,000
ISWM Residential Recycling Center	09/15/29	3.14%	888,000	-	(54,000)	834,000
ISWM Road Repair	09/15/25	2.38%	231,000	-	(18,000)	213,000
ISWM Flare Skid	09/15/15	1.81%	250,000	-	(85,000)	165,000
ISWM CAT Mini Loader	09/15/14	0.98%	62,000	-	(33,000)	29,000
ISWM Ford 550 Container Truck	09/15/14	0.99%	47,000	-	(24,000)	23,000
ISWM Cap/Odor Mitigation	09/15/31	2.78%	209,000	-	(11,000)	198,000
ISWM Phase IV Landfill Liner	12/15/17	2.00% - 3.00%	4,100,000	-	(820,000)	3,280,000
ISWM Departmental Equipment	12/15/16	2.00% - 3.00%	405,000	-	(105,000)	300,000
Sub-Total			9,905,227	-	(1,916,118)	7,989,109
Unamortized Premium			201,120	-	(44,693)	156,427
Total Enterprise Funds, Net			\$ 10,106,347	\$ -	\$ (1,960,811)	\$ 8,145,536

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

Fiscal Year	Principal	Interest	Total
2015	\$ 1,603,109	\$ 203,025	\$ 1,806,134
2016	1,539,000	169,726	1,708,726
2017	1,149,000	134,211	1,283,211
2018	1,051,000	105,238	1,156,238
2019	229,000	89,316	318,316
2020	229,000	82,226	311,226
2021	229,000	75,130	304,130
2022	229,000	67,870	296,870
2023	229,000	145,004	374,004
2024	229,000	60,668	289,668
2025	229,000	44,040	273,040
2026	226,000	35,583	261,583
2027	210,000	112,215	322,215
2028	210,000	44,931	254,931
2029	190,000	11,941	201,941
2030	186,000	4,476	190,476
2031	11,000	591	11,591
2032	11,000	199	11,199
Total	\$ 7,989,109	\$ 1,386,390	\$ 9,375,499

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 LONG TERM DEBT (CONTINUED)

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, 2014, the Town had the following authorized and unissued debt:

Purpose	Amount
DPW Facility	\$ 9,305,798 **
ISWM Phase IV Stage II Liner	1,503,835 ***
Road Repair Whimbrel Road	625,000 *
Replace Fire Engine 125	575,000 *
Emergency Power Upgrades	410,000 *
ISWM LGP Tractor	368,000
ISWM 5 Cubic Yard Wheel Loader	300,000 *
DPW Street Sweeper	265,000
School Technology Plan	257,000
Fire Ambulance 133	245,000 *
ISWM 25 Ton Hydraulic Excavator	220,000 *
School Technology Plan	214,000 *
DNR Hen Cove Pier & Dinghy Dock Renovations	200,000 *
Police Cruisers	159,400 *
Police Cruisers	159,400
DPW T1 Dump/Sander Truck	145,000 *
ISWM R1 Recycle Truck	140,000 *
School Asbestos Abatement	110,000 *
School Asbestos Abatement	110,000
BHS Doors and Security Camera	100,000
School Maintenance Dump Truck	70,000
Sewer Grinder Pumps	54,800 *
Fire Replace Car	53,000
BHS Replace Library Cupola Roof	50,000
Fire Grant Match	50,000 *
DPW One Ton Rake Body Truck	46,000
Fire Replace Car 141	45,000 *
BHS HVAC Unit Auditorium	40,000
Fire King Fisher Radio Box	38,000
Police Portable Radios	35,400 *
Police Portable Radios	35,400
DNR Replace Y-51 2005 Pickup	35,000
DPW M2 1/2 Ton Pickup	33,000 *
Facilities Maintenance	32,000
Facilities Tile Floor and Carpet	22,600
Total	<u><u>\$ 16,052,633</u></u>

* BAN's issued as of June 30, 2014

** BAN's of 1,300,000 issued as of June 30, 2014

*** BAN's of 3,000,000 issued as of June 30, 2014

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 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 position date.

The closure and postclosure care liability consist of the following at June 30, 2014:

<u>Closure:</u>		
Phase 3, Stage 3 South Side		\$ 607,240
Phase 4, Stage 1		1,554,999
Transfer Station		106,943
Sub-total (closure)		2,269,182
Postclosure care		2,074,090
Total closure and postclosure care liability		<u>\$ 4,343,272</u>

The Phase 3, Stage 3 South Side landfill closure liability represents the cumulative amount reported based on the use of 100% capacity. The Phase 4, Stage 1 closure liability represents the cumulative amount reported based on the use of 72% of the estimated capacity of the cell. The postclosure care liability represents the cumulative amount reported based on the use of 65% of the estimated capacity of the entire landfill.

Closure and postclosure care costs consist of the following at June 30, 2014:

<u>Costs:</u>	
Postclosure Care	\$ 102,054
Phase 2A/3A	324,494
Phase 3, Stage 3 South Side	11,677
Phase 4, Stage 1	838,866
Transfer Station	<u>3,115</u>
Total closure and postclosure care costs	1,280,206
Less: Amounts Paid and Accrued	<u>(678,412)</u>
Net Increase to Landfill Liability	<u>\$ 601,794</u>

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 LANDFILL CLOSURE AND POSTCLOSURE CARE (CONTINUED)

These amounts are based on what it would cost to perform all closure and postclosure care in 2014. Based on current demographic information and engineering estimates of landfill consumption, the Town expects to close the landfill in approximately 2026. 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 \$3,975,000 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, 2014, approximately \$4,546,000 of funds has been set aside for closure and postclosure care costs.

NOTE 11 OTHER POSTEMPLOYMENT 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, 2012, the latest actuarial valuation, is as follows:

Active Employees	393
Retired Employees, Beneficiaries and Dependents	404
	<hr/>
Total	797
	<hr/> <hr/>

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 like 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:

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

	Amount
Annual Required Contribution	\$ 6,145,878
Interest on Net OPEB Obligation	751,167
Adjustment to annual required contribution	(609,241)
Annual OPEB Cost	6,287,804
Contributions Made	(2,245,999)
Increase in Net OPEB Obligation	4,041,805
Net OPEB Obligation at Beginning of Year	17,119,669
Net OPEB Obligation at End of Year	\$ 21,161,474

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2012	6,335,085	37.1%	\$ 13,409,577
June 30, 2013	5,962,708	37.8%	17,119,669
June 30, 2014	6,287,804	35.7%	21,161,474

Funded Status and Funding Progress

The funded status of the Plan at June 30, 2012, 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)
06/30/12	\$ -	\$ 73,492,873	\$ 73,492,873	-	\$ 32,108,828	229%

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 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, 2012
Actuarial cost method:	Projected Unit Credit
Amortization method:	Amortization payments increasing at 4.0%
Remaining amortization period:	30 years (open)
Interest discount rate:	4.50%
Medical/drug cost trend rate:	Health - 8.00% decreasing by 0.50% for 6 years to an ultimate level of 5.00% per year. Dental – 5.00% per year
Inflation rate:	4.0%

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Allocation of AOPEBC

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

Governmental Activities:	
General Government	\$ 346,567
Public Safety	1,564,256
Education	3,458,707
Public Works	298,312
Health and Human Services	142,003
Culture and Recreation	<u>116,056</u>
Total AOPEBC - Governmental Activities	<u>5,925,901</u>
 Business-Type Activities:	
Sewer	30,736
Landfill	<u>331,167</u>
Total AOPEBC - Business-Type Activities	<u>361,903</u>
Total AOPEBC	<u><u>\$ 6,287,804</u></u>

NOTE 12 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.

The estimated "Incurred But Not Reported (IBNR)" claims are based on actual subsequent activity and historical trends. The liability at June 30, 2014 totaled \$620,000. Changes in the reported liability since July 1, 2012, 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 2013..... \$	408,393	\$ 8,786,906	\$ (8,659,560)	\$ 535,739
Fiscal year 2014.....	535,739	9,566,519	(9,482,258)	620,000

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 13 FUND BALANCES

The constraints on fund balances as listed in aggregate in the governmental funds balance sheet are detailed as follows:

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Permanent Fund Principal	\$ -	\$ -	\$ 35,341	\$ 35,341
Restricted for:				
Debt Service	67,874	-	-	67,874
Community Preservation	-	4,815,686	-	4,815,686
OPEB	350,417	-	-	350,417
Ambulance Receipts Reserved	-	-	1,472,012	1,472,012
Foundation Reserve	-	-	557,057	557,057
School Choice	-	-	596,603	596,603
Capital	-	-	66,177	66,177
Open Space	-	-	250,000	250,000
Affordable Housing	-	-	341,063	341,063
School Lunch	-	-	1,303	1,303
General Government	-	-	32,207	32,207
Public Safety	-	-	703,870	703,870
Education	-	-	1,296,072	1,296,072
Public Works	-	-	381,636	381,636
Health and Human Services	-	-	47,974	47,974
Culture and Recreation	-	-	97,911	97,911
Sub-Total - Restricted	418,291	4,815,686	5,843,885	11,077,862
Committed to:				
Subsequent Year's Expenditures	2,004,000	-	-	2,004,000
Capital Stabilization	35,634	-	-	35,634
Continuing Appropriations	1,063,155	-	-	1,063,155
Sub-Total - Committed	3,102,789	-	-	3,102,789
Assigned to:				
Education	140,319	-	-	140,319
Other	4,250	-	-	4,250
Sub-Total - Assigned	144,569	-	-	144,569
Unassigned	9,616,590	-	(411,695)	9,204,895
	\$ 13,282,239	\$ 4,815,686	\$ 5,467,531	\$ 23,565,456

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 14 STABILIZATION FUNDS

The Town maintains a general stabilization fund and a capital stabilization fund that were established under MGL Chapter 40, Section 5B. Appropriations in and out of the stabilization funds require two-thirds vote of Town Meeting. Investment income is retained by the funds.

The balance of the general stabilization and capital stabilization funds at June 30, 2014 total \$3,517,265 and \$35,634, respectively. These balances are reported in the general fund as unassigned and committed fund balance, respectively.

NOTE 15 PENSION PLAN

Plan Description

The Town contributes to the Barnstable County Retirement Association (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 Association located at 750 Attucks Lane, Hyannis, Massachusetts, 01970. The Town's financial statements includes certain required supplementary information related to the Association that is not available in the Association's annual report.

Funding Policy

Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System 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, 2014, 2013, and 2012 were \$2,966,040, \$2,767,343, and \$2,580,728, respectively, which equaled its required contribution for each fiscal year.

NOTE 16 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 \$5,923,000 for the year ended June 30, 2014 and, accordingly, is reported in the general fund as intergovernmental revenues and pension expenditures.

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 17 COMMITMENTS

The Town has approved the construction of a new public works facility. The total appropriation authorized is \$11,080,698, which will be funded by the general fund, ISWM, stabilization and capital stabilization reserves totaling \$2,750,000, with the balance being funded through the issuance of long-term debt. Expenditures totaling \$1,204,733 have been incurred through June 30, 2014.

The Town signed a fifteen year (with an option to extend up to ten additional years) lease and development agreement with Harvest Power on September 9, 2014. The Town is leasing a portion of the ISWM property to Harvest Power for the purpose of developing, constructing and managing a facility to produce renewable energy from ISWM's landfill gas and Biogas recovered from the anaerobic digestion of organic wastes. A lump sum payment of \$25,000 was received upon the commencement of the lease. Quarterly payments of \$2,500 will be paid beginning January 1, 2015. Additional lump sum payments will be made as follows: \$62,500 within ten days of the construction date and \$75,000 within ten days of the commercial operations date.

Other significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$1,207,724 at June 30, 2014.

NOTE 18 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, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2014.

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, 2014, 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 19 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

➤ Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the Town will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.

➤ Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will impact the basic financial statements.

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 19 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS (CONTINUED)

➤ *Statement No. 71, Accounting Pension Transition for Contributions made Subsequent to the Measurement Date*, - an amendment of GASB Statement No. 68, which is required to be implemented during fiscal year 2015.

These pronouncements will be implemented by their respective implementation dates.

**TOWN OF BOURNE, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(NON-GAAP BUDGETARY BASIS)
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 39,250,464	\$ -	\$ 39,250,464
Motor Vehicle and Other Excise Taxes	-	2,286,274	-	2,286,274
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	25,000	-	25,000
Intergovernmental	-	7,347,639	-	7,347,639
Special Assessments	-	-	-	-
Penalties and Interest on Taxes	-	300,000	-	300,000
Licenses and Permits	-	565,000	-	565,000
Fines and Forfeitures	-	130,000	-	130,000
Departmental and Other	-	1,365,000	-	1,365,000
Investment Income	-	45,000	-	45,000
Total Revenues	-	51,314,377	-	51,314,377
EXPENDITURES				
Current:				
General Government	397,709	3,078,737	104,002	3,580,448
Public Safety	1,081,738	8,852,036	(173,240)	9,760,534
Education	192,630	22,912,131	22,437	23,127,198
Public Works	51,303	2,240,885	(21,799)	2,270,389
Health and Human Services	184	1,086,456	35,675	1,122,315
Culture and Recreation	11,839	823,659	(7,838)	827,660
Pension Benefits	248	3,047,562	(84,508)	2,963,302
Employee Benefits	-	7,071,377	302,455	7,373,832
Property and Liability Insurance	-	1,098,110	81,760	1,179,870
State and County Charges	-	3,459,928	6,000	3,465,928
Debt Service:				
Principal	-	2,911,301	-	2,911,301
Interest	-	744,013	(51,842)	692,171
Total Expenditures	1,735,651	57,326,195	213,102	59,274,948
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,735,651)	(6,011,818)	(213,102)	(7,960,571)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	4,511,818	272,906	4,784,724
Premium from Issuance of Bonds and Notes	-	-	-	-
Sale of Capital Assets	-	-	-	-
Sale of Foreclosed Properties	-	-	-	-
Transfers Out	-	-	(818,060)	(818,060)
Total Other Financing Sources (Uses)	-	4,511,818	(545,154)	3,966,664
NET CHANGE IN FUND BALANCE	(1,735,651)	(1,500,000)	(758,256)	(3,993,907)
Fund Balance at Beginning of Year	10,137,353	10,137,353	10,137,353	10,137,353
FUND BALANCE AT END OF YEAR	\$ 8,401,702	\$ 8,637,353	\$ 9,379,097	\$ 6,143,446

See accompanying Notes to Required Supplementary Information.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 39,300,514	\$ -	\$ 39,300,514	\$ 50,050
2,668,333	-	2,668,333	382,059
276,856	-	276,856	276,856
14,912	-	14,912	(10,088)
7,410,092	-	7,410,092	62,453
51,115	-	51,115	51,115
369,192	-	369,192	69,192
665,563	-	665,563	100,563
158,229	-	158,229	28,229
1,688,289	-	1,688,289	323,289
31,570	-	31,570	(13,430)
<u>52,634,665</u>	<u>-</u>	<u>52,634,665</u>	<u>1,320,288</u>
3,078,489	325,377	3,403,866	176,582
8,872,904	691,111	9,564,015	196,519
22,995,009	111,352	23,106,361	20,837
2,500,032	49,813	2,549,845	(279,456)
1,079,695	21,675	1,101,370	20,945
799,641	74	799,715	27,945
2,947,438	8,322	2,955,760	7,542
7,339,368	-	7,339,368	34,464
1,176,521	-	1,176,521	3,349
3,363,108	-	3,363,108	102,820
2,911,301	-	2,911,301	-
695,092	-	695,092	(2,921)
<u>57,758,598</u>	<u>1,207,724</u>	<u>58,966,322</u>	<u>308,626</u>
<u>(5,123,933)</u>	<u>(1,207,724)</u>	<u>(6,331,657)</u>	<u>1,628,914</u>
4,784,724	-	4,784,724	-
20,562	-	20,562	20,562
5,975	-	5,975	5,975
170,000	-	170,000	170,000
(818,060)	-	(818,060)	-
<u>4,163,201</u>	<u>-</u>	<u>4,163,201</u>	<u>196,537</u>
(960,732)	(1,207,724)	(2,168,456)	1,825,451
<u>10,137,353</u>	<u>-</u>	<u>10,137,353</u>	<u>-</u>
<u>\$ 9,176,621</u>	<u>\$ (1,207,724)</u>	<u>\$ 7,968,897</u>	<u>\$ 1,825,451</u>

**TOWN OF BOURNE, MASSACHUSETTS
COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(NON-GAAP BUDGETARY BASIS)
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Community Preservation Surcharges	\$ -	\$ 1,128,055	\$ -	\$ 1,128,055
Tax Liens	-	-	-	-
Penalties and Interest on Taxes	-	-	-	-
Intergovernmental	-	338,417	-	338,417
Investment Income	-	-	-	-
Total Revenues	<u>-</u>	<u>1,466,472</u>	<u>-</u>	<u>1,466,472</u>
EXPENDITURES				
Current:				
General Government	740,085	334,042	-	1,074,127
Health and Human Services	423,416	174,575	-	597,991
Culture and Recreation	652,767	319,454	302,433	1,274,654
Total Expenditures	<u>1,816,268</u>	<u>828,071</u>	<u>302,433</u>	<u>2,946,772</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,816,268)	638,401	(302,433)	(1,480,300)
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(686,722)	-	(686,722)
NET CHANGE IN FUND BALANCE	(1,816,268)	(48,321)	(302,433)	(2,167,022)
Fund Balance at Beginning of Year	4,382,937	4,382,937	4,382,937	4,382,937
FUND BALANCE AT END OF YEAR	<u>\$ 2,566,669</u>	<u>\$ 4,334,616</u>	<u>\$ 4,080,504</u>	<u>\$ 2,215,915</u>

See accompanying Notes to Required Supplementary Information.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 1,150,820	\$ -	\$ 1,150,820	\$ 22,765
7,504	-	7,504	7,504
7,203	-	7,203	7,203
652,303	-	652,303	313,886
2,204	-	2,204	2,204
<u>1,820,034</u>	<u>-</u>	<u>1,820,034</u>	<u>353,562</u>
328,900	745,226	1,074,126	1
266,054	331,937	597,991	-
105,608	1,169,045	1,274,653	1
<u>700,562</u>	<u>2,246,208</u>	<u>2,946,770</u>	<u>2</u>
1,119,472	(2,246,208)	(1,126,736)	353,564
<u>(686,722)</u>	<u>-</u>	<u>(686,722)</u>	<u>-</u>
432,750	(2,246,208)	(1,813,458)	353,564
<u>4,382,937</u>	<u>-</u>	<u>4,382,937</u>	<u>-</u>
<u>\$ 4,815,687</u>	<u>\$ (2,246,208)</u>	<u>\$ 2,569,479</u>	<u>\$ 353,564</u>

**TOWN OF BOURNE, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

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)
01/01/14	\$ 776,973,700	\$ 1,353,810,101	\$ 576,836,401	57.4%	\$ 253,920,106	227.2%
01/01/12	651,063,981	1,173,483,848	522,419,867	55.5%	239,437,303	218.2%
01/01/10	554,876,554	1,030,210,321	475,333,767	53.9%	234,374,075	202.8%
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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS (ASSOCIATION)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2008	36,943,817	100
2009	39,899,322	100
2010	43,893,051	100
2011	43,807,158	100
2012	46,702,087	100
2013	49,504,212	100

See accompanying Notes to Required Supplementary Information.

**TOWN OF BOURNE, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

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 (%)
2009	2,046,604	100	5.5%
2010	2,236,480	100	5.6%
2011	2,503,929	100	5.7%
2012	2,580,728	100	5.9%
2013	2,767,343	100	5.9%
2014	2,966,040	100	6.0%

OTHER POSTEMPLOYMENT BENEFITS SCHEDULES

The following schedules provide information related to the Town's other postemployment benefits plan:

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial 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)
06/30/12	\$ -	\$ 73,492,873	\$ 73,492,873	-	\$ 32,108,828	229%
06/30/10	-	88,040,390	88,040,390	-	30,015,606	293%
06/30/08	-	74,937,141	74,937,141	-	27,668,817	271%

The significant change to the methods and assumptions used in the 2008 and 2010 actuarial valuations identified above that impacted the trends in the schedules of funding progress is the increase in the trend on medical and prescription drug costs.

The significant changes to the methods and assumptions used in the June 30, 2012 actuarial valuation that impacted trends in the schedules of funding progress are as follows:

- The amortization method reflects payments increasing at 4.0% (previously 4.5%)
- The interest discount rate was lowered from 5.0% to 4.5%
- The healthcare/medical cost trend rates were lowered to 8.0% decreasing by 0.5% for 6 years to an ultimate level of 5.0% (previously 10.0% decreasing by 0.75% for 6 years and by 0.5% for 1 year to an ultimate level of 5.0%)

See accompanying Notes to Required Supplementary Information.

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

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. Reconciliations of budgetary-basis to GAAP-basis results for the general fund and community preservation fund (CPA Fund) for the year ended June 30, 2014 are presented below:

General Fund

	Revenues	Expenditures	Other Financing Sources (Uses)
Budgetary Basis as Reported on the Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual	\$ 52,634,665	\$ 58,966,322	\$ 4,163,201
<u>Adjustments and reclassifications:</u>			
Net Change in Recording 60-Day Receipts	(9,294)	-	-
Net Change in Recording Tax Refunds Payable	146,047	-	-
Net Change in Recording Other Revenues	19,836	-	-
To record MTRS On-Behalf Payments	5,922,889	5,922,889	-
Net change in recording other expenditures	-	(9)	-
To record Encumbrances and Continuing Appropriations	-	(1,207,724)	-
To Reclassify the Activity of the Stabilization Funds to the General Fund	23,510	-	631,308
To Reclassify the Activity of the OPEB Fund to the General Fund	320	-	100,000
	<u>\$ 58,737,973</u>	<u>\$ 63,681,478</u>	<u>\$ 4,894,509</u>
GAAP Basis as Reported on the Statement of Revenues, expenditures and changes in fund balances	<u>\$ 58,737,973</u>	<u>\$ 63,681,478</u>	<u>\$ 4,894,509</u>

CPA Fund

	Expenditures
Budgetary Basis as Reported on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 2,946,770
<u>Adjustments:</u>	
Net change in recording expenditures	1
To Record Encumbrances and Continuing Appropriations	(2,246,208)
	<u>1</u>
GAAP Basis as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 700,563</u>

**TOWN OF BOURNE, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

NOTE B – PENSION PLAN

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

Valuation Date:	January 1, 2014
Actuarial Cost Method:	Entry Age Normal Cost Method
Amortization Method:	Increasing payments 4.00% per year, except 2010 Early Retirement Incentive, which is a level payment.
Remaining Amortization Period:	22 years from July 1, 2014 for 2002 and 2003 Early Retirement Incentives, retiree sheriff's liability and remaining unfunded liability and 8 years from July 1, 2014 for 2010 Early Retirement Incentive.
Asset Valuation Method:	Sum of actuarial value at beginning of the year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of the market value at the end of the year in excess of that sum, plus additional adjustment toward market value as necessary so that final actuarial value is within 20% of market value.

Actuarial Assumptions

Investment Rate of Return:	7.75%
Projected Salary Increases:	4.25% - 5.25%
Cost of Living Adjustments:	3.00% of first \$15,000