

**TOWN OF BOURNE, MASSACHUSETTS**

**FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2017**



**TOWN OF BOURNE, MASSACHUSETTS  
TABLE OF CONTENTS  
JUNE 30, 2017**

|   |           |
|---|-----------|
| <b>INDEPENDENT AUDITORS' REPORT</b>   | <b>1</b>  |
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>   | <b>3</b>  |
| <b>BASIC FINANCIAL STATEMENTS</b>   | <b>12</b> |
| <b>STATEMENT OF NET POSITION</b>  | <b>12</b> |
| <b>STATEMENT OF ACTIVITIES</b>  | <b>13</b> |
| <b>GOVERNMENTAL FUNDS – BALANCE SHEET</b>   | <b>15</b> |
| <b>GOVERNMENTAL FUNDS – STATEMENT OF REVENUES, EXPENDITURES AND<br/>    CHANGES IN FUND BALANCES</b>  | <b>16</b> |
| <b>RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL<br/>    FUND BALANCES TO THE STATEMENT OF NET POSITION</b>  | <b>17</b> |
| <b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND<br/>    CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT<br/>    OF ACTIVITIES</b> | <b>18</b> |
| <b>PROPRIETARY FUND – STATEMENT OF FUND NET POSITION</b>  | <b>19</b> |
| <b>PROPRIETARY FUND – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN<br/>    FUND NET POSITION</b>  | <b>20</b> |
| <b>PROPRIETARY FUNDS – STATEMENT OF CASH FLOWS</b>  | <b>21</b> |
| <b>FIDUCIARY FUNDS – STATEMENT OF FIDUCIARY NET POSITION</b>  | <b>22</b> |
| <b>FIDUCIARY FUNDS – STATEMENT OF CHANGES IN FIDUCIARY NET POSITION</b>   | <b>23</b> |
| <b>NOTES TO BASIC FINANCIAL STATEMENTS</b>  | <b>24</b> |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>   | <b>65</b> |
| <b>GENERAL FUND – SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN<br/>    FUND BALANCE (NON-GAAP BUDGETARY BASIS) – BUDGET AND ACTUAL</b>                          | <b>65</b> |
| <b>COMMUNITY PRESERVATION FUND – SCHEDULE OF REVENUES, EXPENDITURES<br/>    AND CHANGE IN FUND BALANCE (NON-GAAP BUDGETARY BASIS) – BUDGET<br/>    AND ACTUAL</b>   | <b>67</b> |
| <b>PENSION PLAN SCHEDULES</b>   | <b>69</b> |
| <b>OTHER POST EMPLOYMENT BENEFITS SCHEDULE</b>  | <b>71</b> |
| <b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION</b>  | <b>72</b> |

## INDEPENDENT AUDITORS' REPORT

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 fiscal year ended June 30, 2017, 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 opinions.

***Opinion***

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, 2017, 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 3 through 11), general fund and community preservation fund budgetary comparisons and certain pension and other postemployment benefits information (located on pages 65 through 72) 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 March 26, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Bourne, Massachusetts' 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**

Boston, Massachusetts  
March 26, 2018

**TOWN OF BOURNE, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

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, 2017.

***Financial Highlights***

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$59,634,178 (net position). The Town had an unrestricted deficit at the end of the current fiscal year totaling \$41,081,516.
- The Town's total net position increased by \$401,138
- At the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$33,397,775 an increase of \$7,714,663 in comparison with the prior year. The Town has an unassigned fund balance at the end of the current fiscal year totaling approximately \$13,628,000.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$13,639,160, or 19.9% of total general fund expenditures and transfers out.
- The Town's bonded debt increased by \$4,330,843 during the fiscal year, with new long-term debt issuances totaling \$8,769,000.

***Overview of the Basic Financial Statements***

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

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

This report also contains 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, 2017**

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 and community preservation (special revenue), each of which are considered to be major funds. Data from the other 10 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

**TOWN OF BOURNE, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Proprietary funds**

The Town maintains two types of proprietary funds.

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

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

The basic proprietary fund financial statements can be found on pages 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 funds 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 24-63 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 are the budget comparisons for the general fund and community preservation fund, and certain pension and other post-employment benefits information, which can be found on pages 65-72.



**TOWN OF BOURNE, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$59,634,178 at the close of the fiscal year and are summarized as follows:

|  | Governmental Activities |               | Business-Type Activities |               | Total         |               |
|--|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
|  | 2017                    | 2016          | 2017                     | 2016          | 2017          | 2016          |
| <b>Assets</b>                                |                         |               |                          |               |               |               |
| Current Assets                               | \$ 47,772,857           | \$ 40,833,127 | \$ 14,713,601            | \$ 15,140,613 | \$ 62,486,458 | \$ 55,973,740 |
| Noncurrent Assets (Excluding Capital Assets) | 1,009,735               | 1,105,551     | 6,628,294                | 5,655,237     | 7,638,029     | 6,760,788     |
| Capital Assets (Net)                         | 100,816,274             | 99,011,553    | 16,643,136               | 14,606,132    | 117,459,410   | 113,617,685   |
| Total Assets                                 | 149,598,866             | 140,950,231   | 37,985,031               | 35,401,982    | 187,583,897   | 176,352,213   |
| <b>Deferred Outflows of Resources</b>        | 5,064,480               | 3,466,148     | 314,518                  | 212,405       | 5,378,998     | 3,678,553     |
| <b>Liabilities</b>                           |                         |               |                          |               |               |               |
| Current Liabilities (Excluding Debt)         | 5,737,093               | 5,742,743     | 833,590                  | 1,209,690     | 6,570,683     | 6,952,433     |
| Noncurrent Liabilities (Excluding Debt)      | 71,992,720              | 64,729,642    | 8,293,116                | 7,828,834     | 80,285,836    | 72,558,476    |
| Current Debt                                 | 5,741,837               | 6,217,023     | 4,764,622                | 4,414,462     | 10,506,459    | 10,631,485    |
| Noncurrent Debt                              | 28,408,491              | 23,820,563    | 6,069,803                | 6,834,769     | 34,478,294    | 30,655,332    |
| Total Liabilities                            | 111,880,141             | 100,509,971   | 19,961,131               | 20,287,755    | 131,841,272   | 120,797,726   |
| <b>Deferred Inflows of Resources</b>         | 1,400,472               | -             | 86,973                   | -             | 1,487,445     | -             |
| <b>Net Position</b>                          |                         |               |                          |               |               |               |
| Net Investment in Capital Assets             | 72,569,305              | 71,216,969    | 7,663,489                | 5,652,996     | 80,232,794    | 76,869,965    |
| Restricted                                   | 17,560,372              | 16,805,210    | 2,922,528                | 1,883,760     | 20,482,900    | 18,688,970    |
| Unrestricted                                 | (48,746,944)            | (44,115,771)  | 7,665,428                | 7,789,876     | (41,081,516)  | (36,325,895)  |
| Total Net Position                           | \$ 41,382,733           | \$ 43,906,408 | \$ 18,251,445            | \$ 15,326,632 | \$ 59,634,178 | \$ 59,233,040 |

The largest portion of the Town's net position 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 (\$20,482,900) represents resources that are subject to external restrictions on how they may be used.

The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of net pension and other postretirement benefit liabilities. The Town has \$7,665,428 that may be used to support business-type activities.

**TOWN OF BOURNE, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Changes in Net Position**

For the fiscal year ended June 30, 2017, the Town's total net position increased by \$401,138, compared to a decrease of \$764,414 in the prior fiscal year. These amounts are summarized as follows:

|  | Governmental Activities |                   | Business-Type Activities |                   | Total             |                   |
|--|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
|  | 2017                    | 2016              | 2017                     | 2016              | 2017              | 2016              |
| <b>Revenues</b>  |                         |                   |                          |                   |                   |                   |
| Program Revenues:  |                         |                   |                          |                   |                   |                   |
| Charges for Services   | \$ 5,396,479            | \$ 5,899,983      | \$ 13,770,463            | \$ 14,130,896     | \$ 19,166,942     | \$ 20,030,879     |
| Operating Grants and Contributions                           | 17,470,139              | 15,356,249        | 48,877                   | 78,206            | 17,519,016        | 15,434,455        |
| Capital Grants and Contributions                             | 795,267                 | 1,005,534         | -                        | -                 | 795,267           | 1,005,534         |
| General Revenues:  |                         |                   |                          |                   |                   |                   |
| Real Estate and Personal Property Taxes                      | 44,954,097              | 42,893,530        | -                        | -                 | 44,954,097        | 42,893,530        |
| Motor Vehicle and Other Excise Taxes                         | 3,646,704               | 3,477,074         | -                        | -                 | 3,646,704         | 3,477,074         |
| Penalties and Interest on Taxes                              | 242,554                 | 269,912           | -                        | -                 | 242,554           | 269,912           |
| Payments in Lieu of Taxes                                    | 10,831                  | 17,162            | -                        | -                 | 10,831            | 17,162            |
| Community Preservation Surcharges                            | 1,291,420               | 1,224,503         | -                        | -                 | 1,291,420         | 1,224,503         |
| Grants and Contributions not Restricted to Specific Programs | 1,983,412               | 1,933,045         | -                        | -                 | 1,983,412         | 1,933,045         |
| Unrestricted Investment Income                               | 82,830                  | 59,290            | -                        | -                 | 82,830            | 59,290            |
| Sale of Foreclosed Properties                                | -                       | 273,486           | -                        | -                 | -                 | 273,486           |
| Sale of Other Assets   | -                       | 400,000           | -                        | -                 | -                 | 400,000           |
| Other  | 108,811                 | 91,438            | -                        | -                 | 108,811           | 91,438            |
| <b>Total Revenues</b>  | <b>75,982,544</b>       | <b>72,901,206</b> | <b>13,819,340</b>        | <b>14,209,102</b> | <b>89,801,884</b> | <b>87,110,308</b> |
| <b>Expenses</b>  |                         |                   |                          |                   |                   |                   |
| General Government   | 6,840,542               | 6,315,330         | -                        | -                 | 6,840,542         | 6,315,330         |
| Public Safety  | 17,343,009              | 16,425,101        | -                        | -                 | 17,343,009        | 16,425,101        |
| Education  | 48,161,440              | 45,652,831        | -                        | -                 | 48,161,440        | 45,652,831        |
| Public Works   | 4,487,517               | 4,065,451         | -                        | -                 | 4,487,517         | 4,065,451         |
| Health and Human Services                                    | 1,810,703               | 1,838,180         | -                        | -                 | 1,810,703         | 1,838,180         |
| Culture and Recreation                                       | 1,337,313               | 2,288,969         | -                        | -                 | 1,337,313         | 2,288,969         |
| Community Development  | 145,936                 | 353,342           | -                        | -                 | 145,936           | 353,342           |
| Debt Service - Interest                                      | 866,317                 | 840,707           | -                        | -                 | 866,317           | 840,707           |
| Sewer  | -                       | -                 | 1,037,241                | 1,006,901         | 1,037,241         | 1,006,901         |
| Landfill   | -                       | -                 | 7,370,728                | 9,087,910         | 7,370,728         | 9,087,910         |
| <b>Total Expenses</b>  | <b>80,992,777</b>       | <b>77,779,911</b> | <b>8,407,969</b>         | <b>10,094,811</b> | <b>89,400,746</b> | <b>87,874,722</b> |
| Change in Net Position Before Transfers                      | (5,010,233)             | (4,878,705)       | 5,411,371                | 4,114,291         | 401,138           | (764,414)         |
| Transfers, Net   | 2,486,558               | 3,928,055         | (2,486,558)              | (3,928,055)       | -                 | -                 |
| Change in Net Position                                       | (2,523,675)             | (950,650)         | 2,924,813                | 186,236           | 401,138           | (764,414)         |
| Net Position - Beginning of Year                             | 43,906,408              | 44,857,058        | 15,326,632               | 15,140,396        | 59,233,040        | 59,997,454        |
| Net Position - End of Year                                   | \$ 41,382,733           | \$ 43,906,408     | \$ 18,251,445            | \$ 15,326,632     | \$ 59,634,178     | \$ 59,233,040     |

Governmental activities decreased the Town's net position by \$2,523,675. In the prior year, governmental activities decreased the Town's net position by \$950,650. The key element of this change was a decrease in transfers from the landfill enterprise fund (\$1,000,000) for the public works facility.

Business-type activities increased the Town's net position by \$2,924,813. In the prior year, business-type activities increased the Town's net position by \$186,236. The key elements of this change are decreased transfers from the landfill enterprise fund (\$1,000,000) for the public works facility, a decrease in depreciation of approximately \$1,200,000 related to the end of the useful live of a cell in the prior year, and a decrease in closure and post closure care costs of approximately \$500,000.

**TOWN OF BOURNE, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

***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 \$33,397,775, an increase of \$7,714,663 in comparison with the prior year. Unassigned fund balance totaled \$13,627,760 at June 30, 2017. The remainder of fund balance includes the following constraints:

- Nonspendable (\$35,341)
- Restricted (\$15,992,220)
- Committed (\$3,620,092)
- Assigned (\$122,362)

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 \$13,639,160, while total fund balance was \$18,769,437. 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 19.9% of total general fund expenditures and transfers out, while total fund balance represents 27.3% of that same amount.

The balance of the Town's general fund increased by \$2,466,907 during fiscal year 2017. Although the Town recognized an approximate \$5,904,000 budgetary surplus (excluding encumbrances and continuing appropriations), the Town anticipated utilizing approximately \$4,952,000 of reserves to fund the budget.

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

The fund balance of the community preservation fund (special revenue) decreased by \$533,480 during the current fiscal year. The fund's receipts included community preservation surcharges (\$1,287,219), intergovernmental revenue (\$284,317), tax liens revenue (\$14,009), penalties and interest on taxes (\$5,770) and investment income (\$10,394). The fund also received proceeds of bonds and notes of \$675,000 and an additional premium from the issuance of bonds and notes of \$47,971. Expenditures totaling approximately \$2,255,000 were incurred during the year. Additionally, a transfer of \$632,883 was made to the general fund to cover community preservation related debt service.

**TOWN OF BOURNE, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

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 \$771,596 and \$6,893,832, respectively. The sewer and landfill enterprise funds had a change in net position for the year of (\$114,207) and \$3,039,020, 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 \$65,924,052 was increased by \$79,762 (0.1%) during the fiscal year. The following table summarizes the increase:

| <u>Purpose of Increase</u> | <u>Amount</u>           |
|----------------------------|-------------------------|
| Snow and Ice               | \$ 65,680               |
| Unpaid Bills               | <u>14,082</u>           |
|                            | <u><u>\$ 79,762</u></u> |

During the year, revenues 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 \$3,877,000.

**TOWN OF BOURNE, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

***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 \$117,459,410 (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 increase in the investment in capital assets for the current fiscal year totaled 3.4% (a 1.6% increase for governmental activities and a 1.8% increase for business-type activities).

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

- Peebles Elementary School construction in progress (\$1,092,225)
- DPW facility project (\$355,898)
- Various public safety equipment (\$458,032)
- Various ISWM equipment (\$1,732,221)

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

|                            | Governmental Activities |                      | Business-Type Activities |                      | Total                 |                       |
|----------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
|                            | 2017                    | 2016                 | 2017                     | 2016                 | 2017                  | 2016                  |
| Land                       | \$ 28,146,686           | \$ 28,146,686        | \$ 4,009,658             | \$ 4,009,658         | \$ 32,156,344         | \$ 32,156,344         |
| Construction in Progress   | 3,240,577               | 371,205              | -                        | -                    | 3,240,577             | 371,205               |
| Land Improvements          | 2,928,319               | 2,283,314            | 2,592,526                | 1,247,076            | 5,520,845             | 3,530,390             |
| Buildings and Improvements | 56,231,055              | 57,951,178           | 3,259,955                | 3,446,063            | 59,491,010            | 61,397,241            |
| Machinery and Equipment    | 4,515,563               | 4,269,503            | 4,026,730                | 2,968,138            | 8,542,293             | 7,237,641             |
| Infrastructure             | 5,754,074               | 5,989,667            | 2,754,267                | 2,935,197            | 8,508,341             | 8,924,864             |
| Total Capital Assets       | <u>\$ 100,816,274</u>   | <u>\$ 99,011,553</u> | <u>\$ 16,643,136</u>     | <u>\$ 14,606,132</u> | <u>\$ 117,459,410</u> | <u>\$ 113,617,685</u> |

Additional information on the Town's capital assets can be found in Note 5 on pages 42-43 of this report.

**TOWN OF BOURNE, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

Long-Term Debt

At the end of the current fiscal year, total debt outstanding was \$40,047,760 which is backed by the full faith and credit of the Town, and is summarized as follows:

|                          | Governmental Activities |                      | Business-Type Activities |                     | Total                |                      |
|--------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
|                          | 2017                    | 2016                 | 2017                     | 2016                | 2017                 | 2016                 |
| General Obligation Bonds | \$ 31,984,237           | \$ 26,996,669        | \$ 7,864,950             | \$ 8,491,231        | \$ 39,849,187        | \$ 35,487,900        |
| MCWT Notes               | 198,573                 | 229,017              | -                        | -                   | 198,573              | 229,017              |
| Total Bonds and Notes    | <u>\$ 32,182,810</u>    | <u>\$ 27,225,686</u> | <u>\$ 7,864,950</u>      | <u>\$ 8,491,231</u> | <u>\$ 40,047,760</u> | <u>\$ 35,716,917</u> |

The Town has an AA+ rating from Standard & Poor's for its most recent debt issuance dated November 15, 2017.

Additional information on the Town's long-term debt can be found in Note 9 on pages 47-49 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, 2017**

|  | Primary Government         |                             |                      |
|--|----------------------------|-----------------------------|----------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total                |
| <b>ASSETS</b>  |                            |                             |                      |
| Current Assets:  |                            |                             |                      |
| Cash and Cash Equivalents                                | \$ 18,820,321              | \$ 12,351,911               | \$ 31,172,232        |
| Restricted Cash and Cash Equivalents                     | 17,724,482                 | 195,778                     | 17,920,260           |
| Investments  | 1,301,437                  | -                           | 1,301,437            |
| Restricted Investments                                   | 5,600,288                  | -                           | 5,600,288            |
| Receivables, Net of Allowance for Uncollectible Amounts: |                            |                             |                      |
| Real Estate and Personal Property Taxes                  | 541,903                    | -                           | 541,903              |
| Tax and Utility Liens                                    | 606,183                    | 26,419                      | 632,602              |
| Motor Vehicle and Other Excise Taxes                     | 566,181                    | -                           | 566,181              |
| Community Preservation Surcharges                        | 16,988                     | -                           | 16,988               |
| User Charges   | -                          | 2,139,493                   | 2,139,493            |
| Special Assessments                                      | 1,981                      | -                           | 1,981                |
| Departmental and Other                                   | 711,024                    | -                           | 711,024              |
| Intergovernmental  | 178,469                    | -                           | 178,469              |
| Working Capital Deposit (Health Claims)                  | 1,703,600                  | -                           | 1,703,600            |
| Total Current Assets                                     | <u>47,772,857</u>          | <u>14,713,601</u>           | <u>62,486,458</u>    |
| Noncurrent Assets:                                       |                            |                             |                      |
| Receivables, Net of Allowance for Uncollectible Amounts: |                            |                             |                      |
| Real Estate Tax Deferrals                                | 90,374                     | -                           | 90,374               |
| Special Assessments                                      | 472,422                    | -                           | 472,422              |
| Tax Foreclosures   | 446,939                    | -                           | 446,939              |
| Capital Assets not being Depreciated                     | 31,387,263                 | 4,009,658                   | 35,396,921           |
| Capital Assets, Net of Accumulated Depreciation          | 69,429,011                 | 12,633,478                  | 82,062,489           |
| Total Noncurrent Assets                                  | <u>101,826,009</u>         | <u>23,271,430</u>           | <u>125,097,439</u>   |
| Total Assets   | <u>149,598,866</u>         | <u>37,985,031</u>           | <u>187,583,897</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                    |                            |                             |                      |
| Related to Pensions                                      | <u>5,064,480</u>           | <u>314,518</u>              | <u>5,378,998</u>     |
| <b>LIABILITIES</b>                                       |                            |                             |                      |
| Current Liabilities:                                     |                            |                             |                      |
| Warrants Payable   | 2,316,798                  | 705,352                     | 3,022,150            |
| Accrued Payroll  | 2,396,450                  | 41,832                      | 2,438,282            |
| Other Liabilities  | 57,141                     | -                           | 57,141               |
| Accrued Interest   | 195,924                    | 61,316                      | 257,240              |
| Accrued Health Claims Payable                            | 570,000                    | -                           | 570,000              |
| Compensated Absences                                     | 200,780                    | 25,090                      | 225,870              |
| Short-Term Notes Payable                                 | 1,967,518                  | 2,969,475                   | 4,936,993            |
| Long-Term Bonds and Notes Payable                        | 3,774,319                  | 1,795,147                   | 5,569,466            |
| Total Current Liabilities                                | <u>11,478,930</u>          | <u>5,598,212</u>            | <u>17,077,142</u>    |
| Noncurrent Liabilities:                                  |                            |                             |                      |
| Landfill Closure and Postclosure Care                    | -                          | 3,705,766                   | 3,705,766            |
| Compensated Absences                                     | 1,807,022                  | 225,805                     | 2,032,827            |
| Net OPEB Obligation                                      | 30,486,428                 | 1,896,109                   | 32,382,537           |
| Net Pension Liability                                    | 39,699,270                 | 2,465,436                   | 42,164,706           |
| Long-Term Bonds and Notes Payable                        | 28,408,491                 | 6,069,803                   | 34,478,294           |
| Total Noncurrent Liabilities                             | <u>100,401,211</u>         | <u>14,362,919</u>           | <u>114,764,130</u>   |
| Total Liabilities  | <u>111,880,141</u>         | <u>19,961,131</u>           | <u>131,841,272</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                     |                            |                             |                      |
| Related to Pension                                       | <u>1,400,472</u>           | <u>86,973</u>               | <u>1,487,445</u>     |
| <b>NET POSITION</b>                                      |                            |                             |                      |
| Net Investment in Capital Assets                         | 72,569,305                 | 7,663,489                   | 80,232,794           |
| Restricted for:  |                            |                             |                      |
| Employee Benefits  | 4,968,078                  | -                           | 4,968,078            |
| OPEB   | 1,059,275                  | -                           | 1,059,275            |
| Community Preservation                                   | 4,511,471                  | -                           | 4,511,471            |
| Affordable Housing                                       | 567,950                    | -                           | 567,950              |
| Debt Service   | 328,547                    | -                           | 328,547              |
| Expendable   | 202,123                    | -                           | 202,123              |
| Nonexpendable  | 35,341                     | -                           | 35,341               |
| Other Specific Purposes                                  | 5,887,587                  | 2,922,528                   | 8,810,115            |
| Unrestricted   | <u>(48,746,944)</u>        | <u>7,665,428</u>            | <u>(41,081,516)</u>  |
| Total Net Position                                       | <u>\$ 41,382,733</u>       | <u>\$ 18,251,445</u>        | <u>\$ 59,634,178</u> |

See accompanying Notes to Basic Financial Statements.

**TOWN OF BOURNE, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

| 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             | \$ 6,840,542  | \$ 328,884           | \$ 1,322,771                       | \$ -                             | \$ (5,188,887)        |
| Public Safety                  | 17,343,009    | 4,049,055            | 701,348                            | -                                | (12,592,606)          |
| Education                      | 48,161,440    | 538,308              | 14,808,532                         | 439,160                          | (32,375,440)          |
| Public Works                   | 4,487,517     | 39,866               | 147,617                            | 71,790                           | (4,228,244)           |
| Health and Human Services      | 1,810,703     | 307,115              | 277,736                            | -                                | (1,225,852)           |
| Culture and Recreation         | 1,337,313     | 133,251              | 31,470                             | 284,317                          | (888,275)             |
| Community Development          | 145,936       | -                    | 180,665                            | -                                | 34,729                |
| Debt Service - Interest        | 866,317       | -                    | -                                  | -                                | (866,317)             |
| Total Governmental Activities  | 80,992,777    | 5,396,479            | 17,470,139                         | 795,267                          | (57,330,892)          |
| Business-Type Activities:      |               |                      |                                    |                                  |                       |
| Sewer                          | 1,037,241     | 970,732              | 2,785                              | -                                | (63,724)              |
| Landfill                       | 7,370,728     | 12,799,731           | 46,092                             | -                                | 5,475,095             |
| Total Business-Type Activities | 8,407,969     | 13,770,463           | 48,877                             | -                                | 5,411,371             |
| Total Primary Government       | \$ 89,400,746 | \$ 19,166,942        | \$ 17,519,016                      | \$ 795,267                       | \$ (51,919,521)       |

See accompanying Notes to Basic Financial Statements.



**TOWN OF BOURNE, MASSACHUSETTS  
STATEMENT OF ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

|  | Primary Government   |                      |                      |
|--|----------------------|----------------------|----------------------|
|  | Governmental         | Business-Type        |                      |
|  | Activities           | Activities           | Total                |
| <b>CHANGES IN NET POSITION</b>                               |                      |                      |                      |
| Net Revenue (Expense) (from Previous Page)                   | \$ (57,330,892)      | \$ 5,411,371         | \$ (51,919,521)      |
| General Revenues:  |                      |                      |                      |
| Real Estate and Personal Property Taxes                      | 44,954,097           | -                    | 44,954,097           |
| Motor Vehicle and Other Excise Taxes                         | 3,646,704            | -                    | 3,646,704            |
| Penalties and Interest on Taxes                              | 242,554              | -                    | 242,554              |
| Payments in Lieu of Taxes                                    | 10,831               | -                    | 10,831               |
| Community Preservation Surcharges                            | 1,291,420            | -                    | 1,291,420            |
| Grants and Contributions not Restricted to Specific Programs | 1,983,412            | -                    | 1,983,412            |
| Unrestricted Investment Income                               | 82,830               | -                    | 82,830               |
| Other  | 108,811              | -                    | 108,811              |
| Transfers, Net   | 2,486,558            | (2,486,558)          | -                    |
| Total General Revenues and Transfers                         | 54,807,217           | (2,486,558)          | 52,320,659           |
| <b>CHANGE IN NET POSITION</b>                                | (2,523,675)          | 2,924,813            | 401,138              |
| Net Position - Beginning of Year                             | 43,906,408           | 15,326,632           | 59,233,040           |
| <b>NET POSITION - END OF YEAR</b>                            | <u>\$ 41,382,733</u> | <u>\$ 18,251,445</u> | <u>\$ 59,634,178</u> |

See accompanying Notes to Basic Financial Statements.

**TOWN OF BOURNE, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2017**

|   | General              | Community<br>Preservation | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|---------------------------|-----------------------------------|--------------------------------|
| <b>ASSETS</b>   |                      |                           |                                   |                                |
| Cash and Cash Equivalents   | \$ 18,820,321        | \$ -                      | \$ -                              | \$ 18,820,321                  |
| Investments   | 1,301,437            | -                         | -                                 | 1,301,437                      |
| Receivables, Net of Allowance for Uncollectible Amounts:                      |                      |                           |                                   |                                |
| Real Estate and Personal Property Taxes                                       | 541,903              | -                         | -                                 | 541,903                        |
| Real Estate Tax Deferrals   | 90,374               | -                         | -                                 | 90,374                         |
| Tax Liens   | 589,600              | 16,583                    | -                                 | 606,183                        |
| Motor Vehicle and Other Excise Taxes  | 566,181              | -                         | -                                 | 566,181                        |
| Community Preservation Surcharges   | -                    | 16,988                    | -                                 | 16,988                         |
| Special Assessments   | 421,759              | -                         | 52,644                            | 474,403                        |
| Departmental and Other  | -                    | -                         | 711,024                           | 711,024                        |
| Intergovernmental   | -                    | -                         | 178,469                           | 178,469                        |
| Tax Foreclosures  | 446,939              | -                         | -                                 | 446,939                        |
| Restricted Assets:  |                      |                           |                                   |                                |
| Cash and Cash Equivalents   | 334,458              | 4,527,523                 | 11,869,555                        | 16,731,536                     |
| Investments   | 1,053,365            | -                         | 302,124                           | 1,355,489                      |
| <b>Total Assets</b>   | <b>\$ 24,166,337</b> | <b>\$ 4,561,094</b>       | <b>\$ 13,113,816</b>              | <b>\$ 41,841,247</b>           |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>           |                      |                           |                                   |                                |
| <b>LIABILITIES:</b>   |                      |                           |                                   |                                |
| Warrants Payable  | \$ 687,457           | \$ 49,623                 | \$ 176,451                        | \$ 913,531                     |
| Accrued Payroll   | 2,340,709            | -                         | 55,741                            | 2,396,450                      |
| Other Liabilities   | 57,141               | -                         | -                                 | 57,141                         |
| Accrued Short-Term Interest   | 10,445               | -                         | -                                 | 10,445                         |
| Short-Term Notes Payable  | -                    | -                         | 1,967,518                         | 1,967,518                      |
| <b>Total Liabilities</b>  | <b>3,095,752</b>     | <b>49,623</b>             | <b>2,199,710</b>                  | <b>5,345,085</b>               |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>   |                      |                           |                                   |                                |
| Unavailable Revenue   | 2,301,148            | 33,571                    | 763,668                           | 3,098,387                      |
| <b>FUND BALANCES:</b>   |                      |                           |                                   |                                |
| Nonspendable  | -                    | -                         | 35,341                            | 35,341                         |
| Restricted  | 1,387,823            | 4,477,900                 | 10,126,497                        | 15,992,220                     |
| Committed   | 3,620,092            | -                         | -                                 | 3,620,092                      |
| Assigned  | 122,362              | -                         | -                                 | 122,362                        |
| Unassigned  | 13,639,160           | -                         | (11,400)                          | 13,627,760                     |
| <b>Total Fund Balances</b>  | <b>18,769,437</b>    | <b>4,477,900</b>          | <b>10,150,438</b>                 | <b>33,397,775</b>              |
| <b>Total Liabilities, Deferred Inflows of Resources<br/>and Fund Balances</b> | <b>\$ 24,166,337</b> | <b>\$ 4,561,094</b>       | <b>\$ 13,113,816</b>              | <b>\$ 41,841,247</b>           |

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, 2017**

|  | General              | Community<br>Preservation | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|---------------------------|-----------------------------------|--------------------------------|
| <b>REVENUES</b>  |                      |                           |                                   |                                |
| Real Estate and Personal Property Taxes                      | \$ 44,781,289        | \$ -                      | \$ -                              | \$ 44,781,289                  |
| Motor Vehicle and Other Excise Taxes                         | 3,641,672            | -                         | -                                 | 3,641,672                      |
| Tax Liens  | 502,495              | 14,009                    | -                                 | 516,504                        |
| Payments in Lieu of Taxes                                    | 10,831               | -                         | -                                 | 10,831                         |
| Community Preservation Surcharges                            | -                    | 1,287,219                 | -                                 | 1,287,219                      |
| Charges for Services   | -                    | -                         | 2,702,491                         | 2,702,491                      |
| Intergovernmental  | 12,980,398           | 284,317                   | 5,674,380                         | 18,939,095                     |
| Special Assessments  | 113,079              | -                         | -                                 | 113,079                        |
| Penalties and Interest on Taxes                              | 236,784              | 5,770                     | -                                 | 242,554                        |
| Licenses and Permits   | 745,208              | -                         | -                                 | 745,208                        |
| Fines and Forfeitures  | 122,491              | -                         | -                                 | 122,491                        |
| Departmental and Other                                       | 2,585,988            | -                         | 595,716                           | 3,181,704                      |
| Contributions  | -                    | -                         | 248,784                           | 248,784                        |
| Investment Income  | 82,830               | 10,394                    | 1,903                             | 95,127                         |
| Total Revenues   | 65,803,065           | 1,601,709                 | 9,223,274                         | 76,628,048                     |
| <b>EXPENDITURES</b>  |                      |                           |                                   |                                |
| Current:   |                      |                           |                                   |                                |
| General Government   | 4,124,588            | -                         | 400,989                           | 4,525,577                      |
| Public Safety  | 9,423,686            | -                         | 1,581,990                         | 11,005,676                     |
| Education  | 29,721,384           | -                         | 5,855,077                         | 35,576,461                     |
| Public Works   | 2,107,803            | -                         | 989,172                           | 3,096,975                      |
| Health and Human Services                                    | 857,738              | 59,952                    | 223,316                           | 1,141,006                      |
| Culture and Recreation                                       | 762,920              | 2,165,325                 | 150,650                           | 3,078,895                      |
| Community Development  | -                    | -                         | 145,936                           | 145,936                        |
| Pension Benefits   | 3,487,393            | -                         | -                                 | 3,487,393                      |
| Employee Benefits  | 7,689,288            | -                         | -                                 | 7,689,288                      |
| Property and Liability Insurance                             | 1,361,250            | -                         | -                                 | 1,361,250                      |
| State and County Charges                                     | 4,357,864            | -                         | -                                 | 4,357,864                      |
| Debt Service:  |                      |                           |                                   |                                |
| Principal  | 3,374,042            | -                         | -                                 | 3,374,042                      |
| Interest   | 926,459              | -                         | -                                 | 926,459                        |
| Total Expenditures   | 68,194,415           | 2,225,277                 | 9,347,130                         | 79,766,822                     |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u>(2,391,350)</u>   | <u>(623,568)</u>          | <u>(123,856)</u>                  | <u>(3,138,774)</u>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                      |                           |                                   |                                |
| Transfers In   | 5,370,162            | -                         | 511,905                           | 5,882,067                      |
| Proceeds of Bonds and Notes                                  | -                    | 675,000                   | 7,136,000                         | 7,811,000                      |
| Premium from Issuance of Bonds and Notes                     | -                    | 47,971                    | 507,908                           | 555,879                        |
| Transfers Out  | <u>(511,905)</u>     | <u>(632,883)</u>          | <u>(2,250,721)</u>                | <u>(3,395,509)</u>             |
| Total Other Financing Sources (Uses)                         | 4,858,257            | 90,088                    | 5,905,092                         | 10,853,437                     |
| <b>NET CHANGE IN FUND BALANCES</b>                           | 2,466,907            | (533,480)                 | 5,781,236                         | 7,714,663                      |
| Fund Balances at Beginning of Year                           | 16,302,530           | 5,011,380                 | 4,369,202                         | 25,683,112                     |
| <b>FUND BALANCES AT END OF YEAR</b>                          | <u>\$ 18,769,437</u> | <u>\$ 4,477,900</u>       | <u>\$ 10,150,438</u>              | <u>\$ 33,397,775</u>           |

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, 2017**

|  |                             |
|--|-----------------------------|
| Total Governmental Fund Balances   | \$ 33,397,775               |
| Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.   | 100,816,274                 |
| In the statement of net position, deferred outflows of resources are reported for amounts related to pensions  | 5,064,480                   |
| In the statement of net position, deferred outflows of resources are reported for amounts related to pensions  | (1,400,472)                 |
| 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.  | 3,098,387                   |
| 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.   | (185,479)                   |
| 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, net of Unamortized Premiums   | (32,182,810)                |
| Compensated Absences   | (2,007,802)                 |
| Net OPEB Obligation  | (30,486,428)                |
| Net Pension Liability  | (39,699,270)                |
| 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 | 4,968,078                   |
| Net Position of Governmental Activities  | <u><u>\$ 41,382,733</u></u> |

*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, 2017**

|  |                       |
|--|-----------------------|
| Net Change in Fund Balances - Total Governmental Funds   | \$ 7,714,663          |
| 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.   |                       |
| Capital Outlays  | 5,677,198             |
| Depreciation   | (3,842,245)           |
| 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.   | (30,232)              |
| In the statement of activities, deferred outflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows related to pensions.   | 1,598,332             |
| In the statement of activities, deferred inflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred inflows related to pensions.   | (1,400,472)           |
| 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.  | (645,504)             |
| 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. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. These amounts represent the related activity of the current period. |                       |
| Bond Maturities  | 3,374,042             |
| Amortization of Bond Premiums, Net   | (520,166)             |
| Proceeds of Bonds and Notes  | (7,811,000)           |
| 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.  | 24,429                |
| 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:   |                       |
| Compensated Absences   | (142,320)             |
| Net OPEB Obligation  | (4,218,279)           |
| Net Pension Liability  | (2,916,711)           |
| 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.   | 614,590               |
| Change in Net Position of Governmental Activities  | <u>\$ (2,523,675)</u> |

See accompanying Notes to Basic Financial Statements.

**TOWN OF BOURNE, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

|   | Business-Type Activities - Enterprise Funds |                      |                      | Governmental<br>Activities -<br>Internal<br>Service<br>Funds |
|---|---|----------------------|----------------------|--|
|   | Sewer                                       | Landfill             | Total                |  |
| <b>ASSETS</b>   |   |                      |                      |  |
| Current Assets:   |   |                      |                      |  |
| Cash and Cash Equivalents                                   | \$ 1,352,147                                | \$ 10,999,764        | \$ 12,351,911        | \$ -   |
| Restricted Cash and Cash Equivalents                        | -   | 195,778              | 195,778              | 992,946  |
| Restricted Investments                                      | -   | -                    | -                    | 4,244,799  |
| Receivables, Net of Allowance for<br>Uncollectible Amounts: |   |                      |                      |  |
| User Charges  | 57,968                                      | 2,081,525            | 2,139,493            | -  |
| Utility Liens   | 26,419                                      | -                    | 26,419               | -  |
| Working Capital Deposit                                     | -   | -                    | -                    | 1,703,600  |
| Total Current Assets  | <u>1,436,534</u>                            | <u>13,277,067</u>    | <u>14,713,601</u>    | <u>6,941,345</u>   |
| Noncurrent Assets:  |   |                      |                      |  |
| Restricted Cash and Cash Equivalents                        | -   | 6,628,294            | 6,628,294            | -  |
| Capital Assets not being Depreciated                        | -   | 4,009,658            | 4,009,658            | -  |
| Capital Assets, Net of Accumulated Depreciation             | <u>2,956,434</u>                            | <u>9,677,044</u>     | <u>12,633,478</u>    | <u>-</u>   |
| Total Noncurrent Assets                                     | <u>2,956,434</u>                            | <u>20,314,996</u>    | <u>23,271,430</u>    | <u>-</u>   |
| Total Assets  | <u>4,392,968</u>                            | <u>33,592,063</u>    | <u>37,985,031</u>    | <u>6,941,345</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                       |   |                      |                      |  |
| Related to Pension  | <u>26,992</u>                               | <u>287,526</u>       | <u>314,518</u>       | <u>-</u>   |
| <b>LIABILITIES</b>  |   |                      |                      |  |
| Current Liabilities:  |   |                      |                      |  |
| Warrants Payable  | 274,797                                     | 430,555              | 705,352              | 1,403,267  |
| Accrued Payroll   | 2,547                                       | 39,285               | 41,832               | -  |
| Accrued Interest  | -   | 61,316               | 61,316               | -  |
| Accrued Health Claims Payable                               | -   | -                    | -                    | 570,000  |
| Compensated Absences  | 2,755                                       | 22,335               | 25,090               | -  |
| Short-Term Notes Payable                                    | -   | 2,969,475            | 2,969,475            | -  |
| Long-Term Bonds and Notes Payable                           | <u>41,585</u>                               | <u>1,753,562</u>     | <u>1,795,147</u>     | <u>-</u>   |
| Total Current Liabilities                                   | <u>321,684</u>                              | <u>5,276,528</u>     | <u>5,598,212</u>     | <u>1,973,267</u>   |
| Noncurrent Liabilities:                                     |   |                      |                      |  |
| Landfill Closure and Post-Closure                           | -   | 3,705,766            | 3,705,766            | -  |
| Compensated Absences  | 24,793                                      | 201,012              | 225,805              | -  |
| Net OPEB Obligation   | 167,988                                     | 1,728,121            | 1,896,109            | -  |
| Net Pension Liability                                       | 211,586                                     | 2,253,850            | 2,465,436            | -  |
| Long-Term Bonds and Notes Payable                           | <u>84,491</u>                               | <u>5,985,312</u>     | <u>6,069,803</u>     | <u>-</u>   |
| Total Noncurrent Liabilities                                | <u>488,858</u>                              | <u>13,874,061</u>    | <u>14,362,919</u>    | <u>-</u>   |
| Total Liabilities   | <u>810,542</u>                              | <u>19,150,589</u>    | <u>19,961,131</u>    | <u>1,973,267</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                        |   |                      |                      |  |
| Related to Pension  | <u>7,464</u>                                | <u>79,509</u>        | <u>86,973</u>        | <u>-</u>   |
| <b>NET POSITION</b>   |   |                      |                      |  |
| Net Investment in Capital Assets                            | 2,830,358                                   | 4,833,131            | 7,663,489            | -  |
| Restricted for:   |   |                      |                      |  |
| Landfill Closure and Postclosure                            | -   | 2,922,528            | 2,922,528            | -  |
| Employee Benefits   | -   | -                    | -                    | 4,968,078  |
| Unrestricted  | <u>771,596</u>                              | <u>6,893,832</u>     | <u>7,665,428</u>     | <u>-</u>   |
| Total Net Position  | <u>\$ 3,601,954</u>                         | <u>\$ 14,649,491</u> | <u>\$ 18,251,445</u> | <u>\$ 4,968,078</u>  |

See accompanying Notes to Basic Financial Statements.

**TOWN OF BOURNE, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017**

|   | Business-Type Activities - Enterprise Funds |                      |                      | Governmental<br>Activities -<br>Internal<br>Service<br>Funds |
|---|---|----------------------|----------------------|--|
|   | Sewer                                       | Landfill             | Total                |  |
| <b>OPERATING REVENUES</b>                   |   |                      |                      |  |
| Charges for Services                        | \$ 959,970                                  | \$ 12,799,731        | \$ 13,759,701        | -  |
| Penalties and Interest                      | 10,762                                      | -                    | 10,762               | -  |
| Employer Contributions                      | -   | -                    | -                    | 7,447,884  |
| Employee Contributions                      | -   | -                    | -                    | 2,482,657  |
| Total Operating Revenues                    | <u>970,732</u>                              | <u>12,799,731</u>    | <u>13,770,463</u>    | <u>9,930,541</u>   |
| <b>OPERATING EXPENSES</b>                   |   |                      |                      |  |
| Cost of Service and Administration          | 522,802                                     | 5,951,284            | 6,474,086            | -  |
| Town of Wareham Assessment                  | 188,478                                     | -                    | 188,478              | -  |
| Repairs and Maintenance                     | 28,932                                      | 32,497               | 61,429               | -  |
| Depreciation                                | 216,906                                     | 1,202,436            | 1,419,342            | -  |
| Closure and Postclosure Costs               | -   | (65,711)             | (65,711)             | -  |
| Employee Benefits                           | -   | -                    | -                    | 9,409,357  |
| Total Operating Expenses                    | <u>957,118</u>                              | <u>7,120,506</u>     | <u>8,077,624</u>     | <u>9,409,357</u>   |
| <b>OPERATING INCOME (LOSS)</b>              | <u>13,614</u>                               | <u>5,679,225</u>     | <u>5,692,839</u>     | <u>521,184</u>   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>     |   |                      |                      |  |
| Investment Income                           | 2,785                                       | 46,092               | 48,877               | 93,406   |
| Interest Expense                            | (3,901)                                     | (250,222)            | (254,123)            | -  |
| (Loss) on Disposal of Capital Assets        | -   | (76,222)             | (76,222)             | -  |
| Total Nonoperating Revenues (Expenses), Net | <u>(1,116)</u>                              | <u>(280,352)</u>     | <u>(281,468)</u>     | <u>93,406</u>  |
| <b>INCOME BEFORE TRANSFERS</b>              | <u>12,498</u>                               | <u>5,398,873</u>     | <u>5,411,371</u>     | <u>614,590</u>   |
| <b>TRANSFERS</b>                            |   |                      |                      |  |
| Transfers In                                | -   | 353,591              | 353,591              | -  |
| Transfers Out                               | (126,705)                                   | (2,713,444)          | (2,840,149)          | -  |
| Total Transfers                             | <u>(126,705)</u>                            | <u>(2,359,853)</u>   | <u>(2,486,558)</u>   | <u>-</u>   |
| <b>CHANGE IN NET POSITION</b>               | <u>(114,207)</u>                            | <u>3,039,020</u>     | <u>2,924,813</u>     | <u>614,590</u>   |
| Net Position at Beginning of Year           | <u>3,716,161</u>                            | <u>11,610,471</u>    | <u>15,326,632</u>    | <u>4,353,488</u>   |
| <b>NET POSITION AT END OF YEAR</b>          | <u>\$ 3,601,954</u>                         | <u>\$ 14,649,491</u> | <u>\$ 18,251,445</u> | <u>4,968,078</u>   |

See accompanying Notes to Basic Financial Statements.

**TOWN OF BOURNE, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017**

|   | Business-Type Activities - Enterprise Funds |               |               | Governmental<br>Activities -<br>Internal<br>Service<br>Funds |
|---|---|---------------|---------------|--|
|   | Sewer                                       | Landfill      | Total         |  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |               |               |  |
| Receipts from Customers and Users   | \$ 994,494                                  | \$ 13,054,682 | \$ 14,049,176 | \$ 2,482,657   |
| Receipts from Interfund Services Provided   | -   | -             | -             | 7,447,884  |
| Payments to Vendors   | (426,126)                                   | (4,651,728)   | (5,077,854)   | -  |
| Payments to Employees   | (145,970)                                   | (1,351,085)   | (1,497,055)   | -  |
| Payments for Interfund Services Used  | -   | -             | -             | (9,558,402)  |
| Net Cash Provided (Used) by Operating Activities  | 422,398                                     | 7,051,869     | 7,474,267     | 372,139  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |   |               |               |  |
| Transfers In  | -   | 353,591       | 353,591       | -  |
| Transfers Out   | (126,705)                                   | (2,713,444)   | (2,840,149)   | -  |
| Net Cash Provided (Used) by Noncapital<br>Financing Activities  | (126,705)                                   | (2,359,853)   | (2,486,558)   | -  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>   |   |               |               |  |
| Proceeds from the Issuance of Bonds and Notes   | 80,000                                      | 3,847,475     | 3,927,475     | -  |
| Premium from the Issuance of Bonds and Notes  | 6,340                                       | 68,979        | 75,319        | -  |
| Acquisition and Construction of Capital Assets  | (22,708)                                    | (3,509,860)   | (3,532,568)   | -  |
| Principal Payments on Bonds and Notes   | (94,800)                                    | (4,265,000)   | (4,359,800)   | -  |
| Interest Expense  | (4,164)                                     | (318,086)     | (322,250)     | -  |
| Net Cash Provided (Used) by Capital<br>and Related Financing Activities   | (35,332)                                    | (4,176,492)   | (4,211,824)   | -  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |   |               |               |  |
| Sales (Purchases) of Investments, Net   | -   | -             | -             | (998,512)  |
| Investment Income   | 2,785                                       | 46,092        | 48,877        | 93,406   |
| Net Cash Provided (Used) by<br>Investing Activities   | 2,785                                       | 46,092        | 48,877        | (905,106)  |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>  | 263,146                                     | 561,616       | 824,762       | (532,967)  |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b><br>(Includes \$6,161,332 and \$1,525,913 reported as restricted<br>in the landfill enterprise fund and internal service fund, respectively) | 1,089,001                                   | 17,262,220    | 18,351,221    | 1,525,913  |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b><br>(Includes \$6,824,072 and \$1,026,479 reported as restricted<br>in the landfill enterprise fund and internal service fund, respectively)       | \$ 1,352,147                                | \$ 17,823,836 | \$ 19,175,983 | \$ 992,946   |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO<br/>NET CASH PROVIDED (USED) BY OPERATING<br/>ACTIVITIES</b>  |   |               |               |  |
| Operating Income (Loss)   | \$ 13,614                                   | \$ 5,679,225  | \$ 5,692,839  | \$ 521,184   |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash<br>Provided (Used) by Operating Activities:  |   |               |               |  |
| Adjustments Not Requiring Current Cash Flows:   |   |               |               |  |
| Depreciation  | 216,906                                     | 1,202,436     | 1,419,342     | -  |
| Net OPEB Obligation   | 22,418                                      | 238,802       | 261,220       | -  |
| Net Pension Liability   | 14,356                                      | 211,236       | 225,592       | -  |
| Deferred outflows of resources related to pension   | (7,922)                                     | (94,191)      | (102,113)     | -  |
| Deferred inflows of resources related to pension  | 7,464                                       | 79,509        | 86,973        | -  |
| Adjustments Requiring Current Cash Flows:   |   |               |               |  |
| Effect of Changes in Operating Assets and Liabilities:  |   |               |               |  |
| Utility Liens   | 6,189                                       | -             | 6,189         | -  |
| User Charges  | 17,573                                      | 254,951       | 272,524       | -  |
| Working Capital Deposit   | -   | -             | -             | (126,900)  |
| Warrants Payable  | 140,448                                     | (517,565)     | (377,117)     | 9,855  |
| Accrued Payroll   | (39)  | 6,589         | 6,550         | -  |
| Accrued Health Claims Payable   | -   | -             | -             | (32,000)   |
| Landfill closure and postclosure care   | -   | (65,711)      | (65,711)      | -  |
| Compensated Absences  | (8,609)                                     | 56,588        | 47,979        | -  |
| Total Adjustments   | 408,784                                     | 1,372,644     | 1,781,428     | (149,045)  |
| Net Cash Provided (Used) by<br>Operating Activities   | \$ 422,398                                  | \$ 7,051,869  | \$ 7,474,267  | \$ 372,139   |

See accompanying Notes to Basic Financial Statements.



**TOWN OF BOURNE, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2017**

|                                  | Private<br>Purpose<br>Trust Funds | Agency<br>Funds |
|----------------------------------|-----------------------------------|-----------------|
| <b>ASSETS</b>                    |                                   |                 |
| Cash and Cash Equivalents        | \$ 64,431                         | \$ 694,840      |
| <b>LIABILITIES</b>               |                                   |                 |
| Warrants Payable                 | -                                 | 4,138           |
| Accrued Payroll                  | -                                 | 1,737           |
| Liabilities Due Depositors       | -                                 | 688,965         |
| Total Liabilities                | -                                 | \$ 694,840      |
| <b>NET POSITION</b>              |                                   |                 |
| Held in Trust for Other Purposes | \$ 64,431                         |                 |

*See accompanying Notes to Basic Financial Statements.*

**TOWN OF BOURNE, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017**

|                                   | Private<br>Purpose<br>Trust Funds |
|-----------------------------------|-----------------------------------|
| <b>ADDITIONS</b>                  |                                   |
| Contributions:                    |                                   |
| Private Donations                 | \$ 26,250                         |
| Net Investment Income:            |                                   |
| Interest                          | 1,128                             |
| Total Additions                   | <u>27,378</u>                     |
| <b>DEDUCTIONS</b>                 |                                   |
| Scholarships Awarded              | <u>1,000</u>                      |
| <b>CHANGE IN NET POSITION</b>     | 26,378                            |
| Net Position - Beginning of Year  | <u>38,053</u>                     |
| <b>NET POSITION - END OF YEAR</b> | <u><u>\$ 64,431</u></u>           |

*See accompanying Notes to Basic Financial Statements.*

**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

***B. Reporting Entity***

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

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

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

**Joint Venture**

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control 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.

|   |                |                                       | Fiscal Year<br>2017 |
|---|----------------|---------------------------------------|---------------------|
| <u>Name</u>                                 | <u>Purpose</u> | <u>Address</u>                        | <u>Assessment</u>   |
| Upper Cape Cod Regional<br>Technical School | Education      | 220 Sandwich Road<br>Bourne, MA 02532 | 3,306,806           |

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 THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***C. Implementation of New Accounting Principles***

For the year ending June 30, 2017, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans*
- GASB Statement No. 77, *Tax Abatement Disclosures*
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*
- GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

Implementation of these GASB Statements 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 THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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.

**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The following major governmental funds are reported:

The *general fund* is 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. Disbursements from this fund must originate from the Community Preservation Committee and be approved by Town Meeting.

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 non-operating 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 non-operating revenues and expenses.

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.

**TOWN OF BOURNE, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Additionally, the following proprietary fund type is reported:

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

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

The following fiduciary fund types are reported:

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

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

***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.

**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<sup>st</sup> 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<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date.

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

**TOWN OF BOURNE, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. The surcharge is due with the real estate tax on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Overdue surcharges are included on the tax liens processed on delinquent real estate taxes. Surcharges are recorded as receivables in the fiscal year of the levy.

**User Charges**

*Sewer*

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

*Landfill*

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

**Special Assessments**

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

**Departmental and Other**

Departmental and other receivables primarily consist primarily of ambulance service accounts receivable and are recorded as receivables when the services have been performed.

**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.



**TOWN OF BOURNE, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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 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.

***K. Capital Assets***

Government-Wide and Proprietary Fund Financial Statements

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

Capital assets are recorded at historical cost 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.

**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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<br/>Useful<br/>Life<br/>(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 Fund Financial Statements

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

***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.

**TOWN OF BOURNE, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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 governmental funds are eliminated from the governmental activities in the statement of activities. 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 net 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.

Deferred outflows of resources related to pensions are reported in the government-wide and proprietary funds statements of net position.

***O. Deferred Inflows of Resources***

In addition to liabilities, the statement of net 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 (revenue) until that time.

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

Deferred inflows of resources related to pensions are reported in the government-wide and proprietary funds statements of net position.

**TOWN OF BOURNE, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED).**

***P. Net Position and Fund Balances***

Government-Wide Financial Statements and Proprietary Fund 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:

“Employee benefits” represents amounts restricted for health insurance.

“OPEB” represents amounts restricted for other postemployment benefits.

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

“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 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).

*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.

**TOWN OF BOURNE, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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 fund statements of net position. Material bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

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

***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).

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

**TOWN OF BOURNE, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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 Fund Financial Statements

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

Governmental Fund Financial Statements

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

***T. Pensions***

Government-Wide and Fund Financial Statements

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

***U. 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 retired employees and their spouses.

***V. Use of Estimates***

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

**TOWN OF BOURNE, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***W. Total Column***

Government-Wide Financial Statements

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

Fund Financial Statements

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

**NOTE 2 STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY**

***A. Budgetary Information***

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

Increases subsequent to the approval of the annual budget require Special Town Meeting approval.

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

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

An annual budget is adopted for the general fund and community preservation fund (CPA) in conformity with the guidelines described above. The original fiscal year 2017 approved budget for the general fund authorized approximately \$65,924,052 in appropriations. During fiscal year 2017, supplemental appropriations totaling approximately \$79,762 for the general fund were authorized. The original fiscal year 2017 approved budget for the CPA fund authorized approximately \$2,675,833 in appropriations. During fiscal year 2017, supplemental appropriations totaling approximately \$929,020 for the community preservation 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.

**TOWN OF BOURNE, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

***B. Excess of Expenditures over Appropriations***

For the fiscal year ended June 30, 2017, expenditures exceeded appropriations for education and state and county charges.

***C. Fund Deficits***

At June 30, 2017, the following governmental fund deficit exists:

| <u>Fund</u>            | <u>Amount</u> | <u>Funding Source</u> |
|------------------------|---------------|-----------------------|
| Bulletproof Vest Grant | <u>11,400</u> | Federal Grant         |

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

**Deposits - Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town's policy for custodial credit risk is to utilize FDIC and DIF insurance (when available) as well as collateralize certain deposit amounts. For uninsured and uncollateralized amounts, the Town monitors the creditworthiness of banks through Veribanc, or other bank credit worthiness reporting systems. In addition, unsecured deposits may not comprise more than 5% of a financial institutions asset and no more than 20% of the Town's cash. At June 30, 2017, \$109,421 of the Town's bank balance of \$49,183,966 was uninsured and uncollateralized.



**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

Investments Summary

The Town's investments (including short-term investments) at June 30, 2017 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

| Investment Type           | Total<br>Amount | Investment Maturities (in Years) |              |              |                 |
|---------------------------|-----------------|----------------------------------|--------------|--------------|-----------------|
|                           |                 | Less<br>Than 1                   | 1 - 5        | 6 - 10       | More<br>Than 10 |
| <u>Debt Securities:</u>   |                 |                                  |              |              |                 |
| U.S. Treasuries           | \$ 1,596,751    | \$ 152,521                       | \$ 838,531   | \$ 605,699   | \$ -            |
| U.S. Agencies             | 1,346,838       | -                                | 1,244,241    | 102,597      | -               |
| Corporate bonds           | 562,167         | 264,674                          | 297,493      | -            | -               |
| Money market mutual funds | 2,308,996       | 2,308,996                        | -            | -            | -               |
| Mutual bond funds         | 1,438,738       | 258,355                          | 140,476      | 888,805      | 151,102         |
| External investment pool  | 4,113,697       | 4,113,697                        | -            | -            | -               |
| Total debt securities     | 11,367,187      | \$ 7,098,243                     | \$ 2,520,741 | \$ 1,597,101 | \$ 151,102.00   |
| <u>Other Investments:</u> |                 |                                  |              |              |                 |
| Equity securities         | 611,757         |                                  |              |              |                 |
| Equity mutual funds       | 1,345,514       |                                  |              |              |                 |
| Total other investments   | 1,957,271       |                                  |              |              |                 |
| Total investments         | \$ 13,324,458   |                                  |              |              |                 |

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's policy for interest rate risk is to hold short-term investments to maturity and limit long term investments to periods not longer than ten years, maintaining an average maturity no greater than five years for the portfolio with duration not more than 120% of the Barclay's Intermediate Government Bond Index.

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's policy for custodial credit risk is to limit exposure to only those institutions with proven financial strength. Capital adequacy of the firm and overall affirmative reputation in the municipal industry will also be considered. At June 30, 2017, the Town was not exposed to custodial credit risk.

**TOWN OF BOURNE, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town's policy for credit risk of debt securities is to purchase investment grade securities with a high concentration in securities rated "A" or better. In addition, the Treasurer may invest unlimited funds in the MMDT and may place funds in investment funds that are included in the list of legal investments. As of June 30, 2017, the credit quality ratings of the Town's debt securities are as follows:

| Investment Type           | Total<br>Amount     | AAA*              | AA+*                | AA*               | AA-*              | A+*              | A*                | A-*              | BBB*              | BB*               | B*                | Unrated             |
|---------------------------|---------------------|-------------------|---------------------|-------------------|-------------------|------------------|-------------------|------------------|-------------------|-------------------|-------------------|---------------------|
| U.S. Agencies             | \$ 1,346,838        | \$ -              | \$ 1,346,838        | \$ -              | \$ -              | \$ -             | \$ -              | \$ -             | \$ -              | \$ -              | \$ -              | \$ -                |
| Corporate bonds           | 562,167             | -                 | -                   | -                 | 286,903           | 50,109           | 189,216           | 35,939           | -                 | -                 | -                 | -                   |
| Money market mutual funds | 2,308,996           | -                 | -                   | -                 | -                 | -                | -                 | -                | -                 | -                 | -                 | 2,308,996           |
| Mutual bond funds         | 1,438,738           | 155,350           | -                   | 231,071           | -                 | -                | 340,556           | -                | 106,074           | 151,102           | 302,209           | 152,376             |
| External investment pool  | 4,113,697           | -                 | -                   | -                 | -                 | -                | -                 | -                | -                 | -                 | -                 | 4,113,697           |
| <b>Total</b>              | <b>\$ 9,770,436</b> | <b>\$ 155,350</b> | <b>\$ 1,346,838</b> | <b>\$ 231,071</b> | <b>\$ 286,903</b> | <b>\$ 50,109</b> | <b>\$ 529,772</b> | <b>\$ 35,939</b> | <b>\$ 106,074</b> | <b>\$ 151,102</b> | <b>\$ 302,209</b> | <b>\$ 6,575,069</b> |

\* Per the rating scale of Standard and Poors (a nationally recognized statistical rating organization)

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's policy is for concentration of credit risk is to diversify the investment portfolio so the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2017, the Town was not exposed to concentration of credit risk.

Investments – Fair Market Value

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

The Town has the following recurring fair value measurements as of June 30, 2017:

| Investment Type                                | Fair Value    | Fair Value Measurements Using                                  |   |
|--|---------------|--|---|
|  |               | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
| <u>Equity Securities:</u>                      |               |  |   |
| Equities                                       | \$ 611,757    | \$ 611,757   | \$ -  |
| Equity Mutual Funds                            | 1,345,514     | 1,345,514  | -   |
| Total Equity Securities                        | 1,957,271     | 1,957,271  | -   |
| <u>Debt Securities:</u>                        |               |  |   |
| U.S. Treasuries                                | 1,596,751     | 1,596,751  | -   |
| U.S. Agencies                                  | 1,346,838     | -  | 1,346,838                                     |
| Corporate Bonds                                | 562,167       | -  | 562,167                                       |
| Mutual Bond Funds                              | 1,438,738     | 1,438,738  | -   |
| Total Debt Securities                          | 4,944,494     | 3,035,489  | 1,909,005                                     |
| Total Investments Measured at Fair Value       | 6,901,765     | \$ 4,992,760   | \$ 1,909,005                                  |
| <u>Investments measured at Amortized Cost:</u> |               |  |   |
| Money Market Mutual Funds                      | 2,308,996     |  |   |
| External Investment Pools                      | 4,113,697     |  |   |
| Total Investments measured at Amortized Cost   | 6,422,693     |  |   |
| Total Investments                              | \$ 13,324,458 |  |   |

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 4 ACCOUNTS RECEIVABLE**

At June 30, 2017, receivables for the individual governmental funds, including the applicable allowances for uncollectible amounts, are as follows:

|   | Gross<br>Amount     | Allowance<br>for<br>Uncollectibles | Net<br>Amount       |
|---|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u>                     |                     |                                    |                     |
| Real Estate and Personal Property Taxes | \$ 665,511          | \$ (123,608)                       | \$ 541,903          |
| Real Estate Tax Deferrals               | 90,374              | -                                  | 90,374              |
| Tax Liens                               | 606,183             | -                                  | 606,183             |
| Motor Vehicle and Other Excise Taxes    | 787,935             | (221,754)                          | 566,181             |
| Community Preservation Surcharges       | 16,988              | -                                  | 16,988              |
| Special Assessments                     | 474,403             | -                                  | 474,403             |
| Departmental and Other                  | 1,873,524           | (1,162,500)                        | 711,024             |
| Intergovernmental                       | 178,469             | -                                  | 178,469             |
| Total                                   | <u>\$ 4,693,387</u> | <u>\$ (1,507,862)</u>              | <u>\$ 3,185,525</u> |

At June 30, 2017, receivables for the enterprise funds, including the applicable allowances for uncollectible amounts, are as follows:

|                     | Gross<br>Amount     | Allowance<br>for<br>Uncollectibles | Net<br>Amount       |
|---------------------|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u> |                     |                                    |                     |
| User Charges        | \$ 2,162,237        | \$ (22,744)                        | \$ 2,139,493        |
| Utility Liens       | 26,419              | -                                  | 26,419              |
| Total               | <u>\$ 2,188,656</u> | <u>\$ (22,744)</u>                 | <u>\$ 2,165,912</u> |

**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

|   | Beginning<br>Balance | Increases    | Decreases   | Ending<br>Balance |
|---|----------------------|--------------|-------------|-------------------|
| <b>Governmental Activities:</b>                     |                      |              |             |                   |
| <u>Capital assets not being depreciated:</u>        |                      |              |             |                   |
| Land  | \$ 28,146,686        | \$ -         | \$ -        | \$ 28,146,686     |
| Construction in progress                            | 371,205              | 2,870,242    | (870)       | 3,240,577         |
| Total capital assets not being depreciated          | 28,517,891           | 2,870,242    | (870)       | 31,387,263        |
| <u>Capital assets being depreciated:</u>            |                      |              |             |                   |
| Land improvements                                   | 3,783,838            | 906,412      | -           | 4,690,250         |
| Buildings and improvements                          | 96,843,430           | 598,543      | -           | 97,441,973        |
| Machinery and equipment                             | 17,330,131           | 1,227,134    | (432,102)   | 18,125,163        |
| Infrastructure                                      | 8,648,693            | 75,737       | -           | 8,724,430         |
| Total capital assets being depreciated              | 126,606,092          | 2,807,826    | (432,102)   | 128,981,816       |
| <u>Less accumulated depreciation for:</u>           |                      |              |             |                   |
| Land improvements                                   | (1,500,524)          | (261,407)    | -           | (1,761,931)       |
| Buildings and improvements                          | (38,892,252)         | (2,318,666)  | -           | (41,210,918)      |
| Machinery and equipment                             | (13,060,628)         | (950,842)    | 401,870     | (13,609,600)      |
| Infrastructure                                      | (2,659,026)          | (311,330)    | -           | (2,970,356)       |
| Total accumulated depreciation                      | (56,112,430)         | (3,842,245)  | 401,870     | (59,552,805)      |
| Total capital assets being depreciated, net         | 70,493,662           | (1,034,419)  | (30,232)    | 69,429,011        |
| Total governmental activities capital assets, net   | \$ 99,011,553        | \$ 1,835,823 | \$ (31,102) | \$ 100,816,274    |
| <b>Business-Type Activities - Sewer Enterprise:</b> |                      |              |             |                   |
| <u>Capital assets being depreciated:</u>            |                      |              |             |                   |
| Machinery and equipment                             | \$ 970,668           | \$ 22,708    | \$ -        | \$ 993,376        |
| Other   | 1,332,118            | -            | -           | 1,332,118         |
| Infrastructure                                      | 7,326,791            | -            | -           | 7,326,791         |
| Total capital assets being depreciated              | 9,629,577            | 22,708       | -           | 9,652,285         |
| <u>Less accumulated depreciation for:</u>           |                      |              |             |                   |
| Machinery and equipment                             | (755,233)            | (35,976)     | -           | (791,209)         |
| Other   | (1,332,118)          | -            | -           | (1,332,118)       |
| Infrastructure                                      | (4,391,594)          | (180,930)    | -           | (4,572,524)       |
| Total accumulated depreciation                      | (6,478,945)          | (216,906)    | -           | (6,695,851)       |
| Total capital assets being depreciated, net         | 3,150,632            | (194,198)    | -           | 2,956,434         |
| Total sewer enterprise capital assets, net          | \$ 3,150,632         | \$ (194,198) | \$ -        | \$ 2,956,434      |

**TOWN OF BOURNE, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

**Business-Type Activities - Landfill Enterprise:**

Capital assets not being depreciated:

|      |              |      |      |              |
|------|--------------|------|------|--------------|
| Land | \$ 4,009,658 | \$ - | \$ - | \$ 4,009,658 |
|------|--------------|------|------|--------------|

Capital assets being depreciated:

|                            |            |           |           |            |
|----------------------------|------------|-----------|-----------|------------|
| Land improvements          | 10,641,287 | 1,777,639 | -         | 12,418,926 |
| Buildings and improvements | 10,622,518 | -         | -         | 10,622,518 |
| Machinery and equipment    | 6,831,286  | 1,732,221 | (535,005) | 8,028,502  |

|  |            |           |           |            |
|--|------------|-----------|-----------|------------|
| Total capital assets being depreciated | 28,095,091 | 3,509,860 | (535,005) | 31,069,946 |
|--|------------|-----------|-----------|------------|

Less accumulated depreciation for:

|                            |             |           |         |             |
|----------------------------|-------------|-----------|---------|-------------|
| Land improvements          | (9,394,211) | (432,189) | -       | (9,826,400) |
| Buildings and improvements | (7,176,455) | (186,108) | -       | (7,362,563) |
| Machinery and equipment    | (4,078,583) | (584,139) | 458,783 | (4,203,939) |

|                                |              |             |         |              |
|--------------------------------|--------------|-------------|---------|--------------|
| Total accumulated depreciation | (20,649,249) | (1,202,436) | 458,783 | (21,392,902) |
|--------------------------------|--------------|-------------|---------|--------------|

|   |           |           |          |           |
|---|-----------|-----------|----------|-----------|
| Total capital assets being depreciated, net | 7,445,842 | 2,307,424 | (76,222) | 9,677,044 |
|---|-----------|-----------|----------|-----------|

|   |               |              |             |               |
|---|---------------|--------------|-------------|---------------|
| Total landfill enterprise capital assets, net | \$ 11,455,500 | \$ 2,307,424 | \$ (76,222) | \$ 13,686,702 |
|---|---------------|--------------|-------------|---------------|

|  |               |              |             |               |
|--|---------------|--------------|-------------|---------------|
| Total business-type activities capital assets, net | \$ 14,606,132 | \$ 2,113,226 | \$ (76,222) | \$ 16,643,136 |
|--|---------------|--------------|-------------|---------------|

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

**Governmental Activities:**

|                           |            |
|---------------------------|------------|
| General Government        | \$ 265,109 |
| Public Safety             | 535,361    |
| Education                 | 1,878,875  |
| Public Works              | 813,572    |
| Health and Human Services | 11,367     |
| Culture and Recreation    | 337,961    |

|  |              |
|--|--------------|
| Total Depreciation Expense - Governmental Activities | \$ 3,842,245 |
|--|--------------|

**Business-Type Activities:**

|          |            |
|----------|------------|
| Sewer    | \$ 216,906 |
| Landfill | 1,202,436  |

|   |              |
|---|--------------|
| Total Depreciation Expense - Business-Type Activities | \$ 1,419,342 |
|---|--------------|

**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 6 INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2017, are summarized as follows:

| Transfers Out:              | Transfers In:       |                             |                          |                     |
|-----------------------------|---------------------|-----------------------------|--------------------------|---------------------|
|                             | General Fund        | Nonmajor Governmental Funds | Landfill Enterprise Fund | Total               |
| General Fund                | \$ -                | \$ 511,905                  | \$ -                     | \$ 511,905 (1)      |
| Community Preservation Fund | 632,883             | -                           | -                        | 632,883 (2)         |
| Nonmajor Governmental Funds | 1,897,130           | -                           | 353,591                  | 2,250,721 (3)       |
| Sewer Enterprise Fund       | 126,705             | -                           | -                        | 126,705 (4)         |
| Landfill Enterprise Fund    | 2,713,444           | -                           | -                        | 2,713,444 (5)       |
|                             | <u>\$ 5,370,162</u> | <u>\$ 511,905</u>           | <u>\$ 353,591</u>        | <u>\$ 6,235,658</u> |

- (1) Represents budgeted transfer for closed articles.  
(2) Represents budgeted transfer to fund debt service.  
(3) Represents budgeted transfers to fund the fiscal year 2017 operating budget from the capital projects fund (\$59,091), and the ambulance (\$1,225,000), waterway improvements (\$402,452), federal impact aid (\$150,000), community septic management program (\$30,587) and conservation commission (\$30,000) special revenue funds. Also represents a transfer from the insurance recovery special revenue fund to the landfill enterprise fund (\$353,591) for incurred loss at ISWM.  
(4) Represents budgeted transfers of indirect costs.  
(5) Represents budgeted transfers of indirect costs (\$1,922,744) and host community fee (\$600,000) to the general fund, and a budgeted transfer to the capital stabilization fund (\$190,700).

**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.

**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 SHORT-TERM FINANCING (CONTINUED)**

Details related to the short-term debt activity for the fiscal year ended June 30, 2017, is as follows:

***Notes Payable – Governmental Funds***

| Type  | Description                               | Origination Date | Maturity Date | Interest Rate | Balance at June 30, 2016 | Increases           | Decreases             | Balance at June 30, 2017 |
|-------|---|------------------|---------------|---------------|--------------------------|---------------------|-----------------------|--------------------------|
| BAN   | Jackson Field Track                       | 3/24/16          | 3/24/17       | 2.25%         | \$ 675,000               | \$ -                | \$ (675,000)          | \$ -                     |
| BAN   | Public Works Facility                     | 3/24/16          | 3/24/17       | 2.25%         | 400,000                  | -                   | (400,000)             | -                        |
| BAN   | School Feasibility Study Bonds            | 3/24/16          | 3/24/17       | 2.25%         | 275,000                  | -                   | (275,000)             | -                        |
| BAN   | Ambulance                                 | 3/24/16          | 3/24/17       | 2.25%         | 252,000                  | -                   | (252,000)             | -                        |
| BAN   | S-2 25 CY Packer                          | 3/24/16          | 3/24/17       | 2.25%         | 250,000                  | -                   | (250,000)             | -                        |
| BAN   | S-3 16 CY Packer                          | 3/24/16          | 3/24/17       | 2.25%         | 250,000                  | -                   | (250,000)             | -                        |
| BAN   | School Technology                         | 3/24/16          | 3/24/17       | 2.25%         | 175,000                  | -                   | (175,000)             | -                        |
| BAN   | T-6 Sander Plow                           | 3/24/16          | 3/24/17       | 2.25%         | 161,000                  | -                   | (161,000)             | -                        |
| BAN   | Police Cruisers                           | 3/24/16          | 3/24/17       | 2.25%         | 138,900                  | -                   | (138,900)             | -                        |
| BAN   | Taylor's Point Marina Parking lot Paving  | 3/24/16          | 3/24/17       | 2.25%         | 125,000                  | -                   | (125,000)             | -                        |
| BAN   | Asbestos Abatement                        | 3/24/16          | 3/24/17       | 2.25%         | 110,000                  | -                   | (110,000)             | -                        |
| BAN   | DPW Public Works Facility                 | 11/15/16         | 11/15/17      | 0.89%         | -                        | 200,000             | -                     | 200,000                  |
| BAN   | Road Repair Shaker Drive non-taxable      | 11/15/16         | 11/15/17      | 0.89%         | -                        | 157,849             | -                     | 157,849                  |
| BAN   | Road Repair Shaker Drive taxable          | 11/15/16         | 11/15/17      | 1.20%         | -                        | 142,151             | -                     | 142,151                  |
| BAN   | DNR Mo. Beach Marina Boat Ramp repair     | 11/15/16         | 11/15/17      | 0.89%         | -                        | 200,000             | -                     | 200,000                  |
| BAN   | Schools BMS HVAC Mgt. System              | 11/15/16         | 11/15/17      | 0.89%         | -                        | 180,000             | -                     | 180,000                  |
| BAN   | Schools Install VOIP Telephone system     | 11/15/16         | 11/15/17      | 0.89%         | -                        | 120,000             | -                     | 120,000                  |
| BAN   | Schools Replace SPED mini Bus             | 11/15/16         | 11/15/17      | 0.89%         | -                        | 60,000              | -                     | 60,000                   |
| BAN   | DPW Bucket Truck                          | 11/15/16         | 11/15/17      | 0.89%         | -                        | 94,500              | -                     | 94,500                   |
| BAN   | DPW T-3 Truck                             | 11/15/16         | 11/15/17      | 0.89%         | -                        | 174,000             | -                     | 174,000                  |
| BAN   | DPW Sidewalk Loader                       | 11/15/16         | 11/15/17      | 0.89%         | -                        | 88,700              | -                     | 88,700                   |
| BAN   | Fire Sagamore Station relocation buildout | 11/15/16         | 11/15/17      | 0.89%         | -                        | 75,000              | -                     | 75,000                   |
| BAN   | Police Cruisers                           | 11/15/16         | 11/15/17      | 0.89%         | -                        | 125,404             | -                     | 125,404                  |
| BAN   | Police Dispatch Console                   | 11/15/16         | 11/15/17      | 0.89%         | -                        | 144,914             | -                     | 144,914                  |
| BAN   | Peebles School Feasibility Study          | 11/15/16         | 11/15/17      | 0.89%         | -                        | 75,000              | -                     | 75,000                   |
| BAN   | Road Repair Laura Lane                    | 4/14/17          | 4/15/18       | 1.24%         | -                        | 130,000             | -                     | 130,000                  |
| Total |   |                  |               |               | <u>\$ 2,811,900</u>      | <u>\$ 1,967,518</u> | <u>\$ (2,811,900)</u> | <u>\$ 1,967,518</u>      |

***Notes Payable – Enterprise Funds***

| Type  | Description                             | Origination Date | Maturity Date | Interest Rate | Balance at June 30, 2016 | Increases           | Decreases             | Balance at June 30, 2017 |
|-------|---|------------------|---------------|---------------|--------------------------|---------------------|-----------------------|--------------------------|
| BAN   | Replacement Sewer Truck M-7             | 3/24/16          | 3/24/17       | 2.25%         | \$ 80,000                | \$ -                | \$ (80,000)           | \$ -                     |
| BAN   | Land Acquisition (Solid Waste Facility) | 3/24/16          | 3/24/17       | 2.25%         | 1,800,000                | -                   | (1,800,000)           | -                        |
| BAN   | 35 Ton Articulated Truck                | 3/24/16          | 3/24/17       | 2.25%         | 488,000                  | -                   | (488,000)             | -                        |
| BAN   | 15 SCY Wheel Loader                     | 3/24/16          | 3/24/17       | 2.25%         | 390,000                  | -                   | (390,000)             | -                        |
| BAN   | ISWM 20 Metric Ton Excavator            | 11/15/16         | 11/15/17      | 2.00%         | -                        | 267,355             | -                     | 267,355                  |
| BAN   | ISWM Phase V Liner Construction         | 11/15/16         | 11/15/17      | 2.00%         | -                        | 1,352,120           | -                     | 1,352,120                |
| BAN   | ISWM Land Purchase                      | 4/15/17          | 4/16/18       | 1.24%         | -                        | 1,350,000           | -                     | 1,350,000                |
| Total |   |                  |               |               | <u>\$ 2,758,000</u>      | <u>\$ 2,969,475</u> | <u>\$ (2,758,000)</u> | <u>\$ 2,969,475</u>      |

**Subsequent Events**

On November 15, 2017, the Town repaid BAN's totaling \$3,314,842 and issued new BAN's totaling \$3,236,092; with a premium of \$33,202, an interest rate of 2.25% and a maturity date of November 15, 2018.

On November 15, 2017, the Town repaid a BAN of \$142,151 and issued a BAN of \$145,901 with an interest rate of 1.70% and a maturity date of November 15, 2018.



**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8 LONG-TERM OBLIGATIONS**

During the fiscal year ended June 30, 2017, the following changes occurred in long-term liabilities:

|                                  | Balance<br>June 30,<br>2016 | Increases            | Decreases             | Balance<br>June 30,<br>2017 | Current<br>Portion  |
|----------------------------------|-----------------------------|----------------------|-----------------------|-----------------------------|---------------------|
| <b>Governmental Activities:</b>  |                             |                      |                       |                             |                     |
| Bonds and Notes Payable          | \$ 26,619,615               | \$ 7,811,000         | \$ (3,374,042)        | \$ 31,056,573               | \$ 3,715,444        |
| Unamortized Bond Premiums        | 606,071                     | 555,879              | (35,713)              | 1,126,237                   | 58,875              |
| Total Bonds and Notes Payable    | 27,225,686                  | 8,366,879            | (3,409,755)           | 32,182,810                  | 3,774,319           |
| Net OPEB Obligation              | 26,268,149                  | 7,514,721            | (3,296,442)           | 30,486,428                  | -                   |
| Net Pension Liability            | 36,782,559                  | 2,916,711            | -                     | 39,699,270                  | -                   |
| Compensated Absences             | 1,865,482                   | 153,577              | (11,257)              | 2,007,802                   | 200,780             |
| Total                            | <u>\$ 92,141,876</u>        | <u>\$ 18,951,888</u> | <u>\$ (6,717,454)</u> | <u>\$ 104,376,310</u>       | <u>\$ 3,975,099</u> |
| <b>Business-type Activities:</b> |                             |                      |                       |                             |                     |
| Bonds and Notes Payable          | \$ 8,229,800                | \$ 958,000           | \$ (1,601,800)        | \$ 7,586,000                | \$ 1,744,000        |
| Unamortized Bond Premiums        | 261,431                     | 75,319               | (57,800)              | 278,950                     | 51,147              |
| Total Bonds and Notes Payable    | 8,491,231                   | 1,033,319            | (1,659,600)           | 7,864,950                   | 1,795,147           |
| Net OPEB Obligation              | 1,634,889                   | 465,355              | (204,135)             | 1,896,109                   | -                   |
| Net Pension Liability            | 2,239,844                   | 225,592              | -                     | 2,465,436                   | -                   |
| Landfill Closure and Postclosure | 3,771,477                   | 408,777              | (474,488)             | 3,705,766                   | -                   |
| Compensated Absences             | 202,916                     | 56,588               | (8,609)               | 250,895                     | 25,090              |
| Total                            | <u>\$ 16,340,357</u>        | <u>\$ 2,189,631</u>  | <u>\$ (2,346,832)</u> | <u>\$ 16,183,156</u>        | <u>\$ 1,820,237</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 THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9 LONG-TERM DEBT**

Details related to the outstanding indebtedness at June 30, 2017, and the debt service requirements are as follows:

***Bonds and Notes Payable – Governmental Funds***

| Project                            | Maturity Date | Interest Rate  | Outstanding at June 30, 2016 | Issued              | Redeemed              | Outstanding at June 30, 2017 |
|------------------------------------|---------------|----------------|------------------------------|---------------------|-----------------------|------------------------------|
| MCWT Pool 9 97-1038-1              | 02/01/24      | 0.00%          | \$ 77,217                    | \$ -                | \$ (10,044)           | \$ 67,173                    |
| MCWT Title V 97-1038               | 02/01/26      | 0.00%          | 51,800                       | -                   | (10,400)              | 41,400                       |
| MCWT Pool 11 T5-97-1038-2          | 07/15/25      | 0.00%          | 100,000                      | -                   | (10,000)              | 90,000                       |
| Land Acquisition                   | 01/15/25      | 3.87%          | 1,305,000                    | -                   | (145,000)             | 1,160,000                    |
| School Plans                       | 01/15/25      | 3.85%          | 150,000                      | -                   | (20,000)              | 130,000                      |
| Municipal Purpose Loan             | 07/01/27      | 4.25%          | 2,105,000                    | -                   | (184,000)             | 1,921,000                    |
| Municipal Purpose Loan             | 09/15/29      | 3.14%          | 4,644,000                    | -                   | (444,000)             | 4,200,000                    |
| Municipal Purpose Loan             | 09/15/31      | 1.50 % - 4.00% | 1,862,000                    | -                   | (161,000)             | 1,701,000                    |
| Municipal Purpose Loan             | 12/15/15      | 2.00% - 3.00%  | 1,532,000                    | -                   | (407,000)             | 1,125,000                    |
| General obligation bonds refunding | 07/15/22      | 2.00%          | 3,180,000                    | -                   | (540,000)             | 2,640,000                    |
| Municipal Purpose Loan of 2015     | 12/01/35      | 2.00% - 5.00%  | 11,612,598                   | -                   | (1,442,598)           | 10,170,000                   |
| Municipal Purpose Loan of 2017     | 04/15/37      | 4.00% - 5.00%  | -                            | 7,811,000           | -                     | 7,811,000                    |
| Total governmental funds           |               |                | <u>\$ 26,619,615</u>         | <u>\$ 7,811,000</u> | <u>\$ (3,374,042)</u> | <u>\$ 31,056,573</u>         |

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                |
|-------------|----------------------|---------------------|----------------------|
| 2018        | \$ 3,715,444         | \$ 1,078,902        | \$ 4,794,346         |
| 2019        | 3,616,444            | 634,928             | 4,251,372            |
| 2020        | 2,970,817            | 542,995             | 3,513,812            |
| 2021        | 2,705,617            | 472,412             | 3,178,029            |
| 2022        | 2,305,417            | 404,790             | 2,710,207            |
| 2023        | 2,045,417            | 341,302             | 2,386,719            |
| 2024        | 1,720,417            | 283,709             | 2,004,126            |
| 2025        | 1,676,000            | 237,740             | 1,913,740            |
| 2026        | 1,469,000            | 199,286             | 1,668,286            |
| 2027        | 1,235,000            | 169,296             | 1,404,296            |
| 2028        | 1,215,000            | 140,119             | 1,355,119            |
| 2029        | 1,090,000            | 112,059             | 1,202,059            |
| 2030        | 1,044,000            | 87,074              | 1,131,074            |
| 2031        | 794,000              | 67,834              | 861,834              |
| 2032        | 744,000              | 53,626              | 797,626              |
| 2033        | 615,000              | 40,835              | 655,835              |
| 2034        | 615,000              | 29,429              | 644,429              |
| 2035        | 615,000              | 17,794              | 632,794              |
| 2036        | 615,000              | 5,931               | 620,931              |
| 2037        | 250,000              | -                   | 250,000              |
| Total       | <u>\$ 31,056,573</u> | <u>\$ 4,920,061</u> | <u>\$ 35,976,634</u> |

**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

***Bonds and Notes Payable –Enterprise Funds***

| Project                              | Maturity Date | Interest Rate | Outstanding at June 30, 2016 | Issued            | Redeemed              | Outstanding at June 30, 2017 |
|--------------------------------------|---------------|---------------|------------------------------|-------------------|-----------------------|------------------------------|
| ISWM Landfill Phase 3 Stage 3        | 07/01/27      | 3.14%         | \$ 250,000.00                | \$ -              | \$ (21,000)           | \$ 229,000                   |
| ISWM Landfill Phase IIA/IIIA Liner   | 09/15/29      | 3.14%         | 1,540,000                    | -                 | (110,000)             | 1,430,000                    |
| ISWM Landfill Processing Center      | 09/15/29      | 3.14%         | 238,000                      | -                 | (18,000)              | 220,000                      |
| ISWM Residential Recycling Center    | 09/15/29      | 3.14%         | 728,000                      | -                 | (53,000)              | 675,000                      |
| ISWM Road Repair                     | 09/15/25      | 2.38%         | 177,000                      | -                 | (18,000)              | 159,000                      |
| ISWM Cap/Odor Mitigation             | 09/15/31      | 2.78%         | 176,000                      | -                 | (11,000)              | 165,000                      |
| ISWM Phase IV Landfill Liner         | 12/15/17      | 2.00% - 3.00% | 1,640,000                    | -                 | (820,000)             | 820,000                      |
| ISWM Departmental Equipment          | 12/15/16      | 2.00% - 3.00% | 98,000                       | -                 | (98,000)              | -                            |
| ISWM Municipal Purpose Loan of 2015  | 12/01/35      | 2.00% - 5.00% | 3,328,000                    | -                 | (438,000)             | 2,890,000                    |
| Sewer Municipal Purpose Loan of 2015 | 12/01/18      | 5.00%         | 54,800                       | -                 | (14,800)              | 40,000                       |
| Sewer Replace Truck M-7              | 04/15/21      | 5.00%         | -                            | 80,000            | -                     | 80,000                       |
| ISWM 35 Ton Articulated Truck        | 04/15/21      | 5.00%         | -                            | 488,000           | -                     | 488,000                      |
| ISWM 15 5CY Wheel Loader             | 04/15/21      | 5.00%         | -                            | 390,000           | -                     | 390,000                      |
| Total Enterprise Funds               |               |               | <u>\$ 8,229,800</u>          | <u>\$ 958,000</u> | <u>\$ (1,601,800)</u> | <u>\$ 7,586,000</u>          |

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

| Fiscal Year | Principal           | Interest            | Total               |
|-------------|---------------------|---------------------|---------------------|
| 2018        | \$ 1,744,000        | \$ 258,615          | \$ 2,002,615        |
| 2019        | 909,000             | 206,903             | 1,115,903           |
| 2020        | 669,000             | 172,214             | 841,214             |
| 2021        | 579,000             | 146,393             | 725,393             |
| 2022        | 344,000             | 121,633             | 465,633             |
| 2023        | 344,000             | 193,016             | 537,016             |
| 2024        | 344,000             | 102,931             | 446,931             |
| 2025        | 344,000             | 92,862              | 436,862             |
| 2026        | 341,000             | 71,449              | 412,449             |
| 2027        | 325,000             | 145,493             | 470,493             |
| 2028        | 325,000             | 75,118              | 400,118             |
| 2029        | 305,000             | 71,101              | 376,101             |
| 2030        | 301,000             | 60,186              | 361,186             |
| 2031        | 126,000             | 52,851              | 178,851             |
| 2032        | 126,000             | 16,586              | 142,586             |
| 2033        | 115,000             | 12,865              | 127,865             |
| 2034        | 115,000             | 9,272               | 124,272             |
| 2035        | 115,000             | 5,607               | 120,607             |
| 2036        | 115,000             | 1,869               | 116,869             |
| Total       | <u>\$ 7,586,000</u> | <u>\$ 1,816,964</u> | <u>\$ 9,402,964</u> |

**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2017, the Town had the following authorized and unissued debt:

| Purpose                         | Amount                      |
|---------------------------------|-----------------------------|
| Peebles Elementary School       | \$ 37,419,042               |
| Police Station                  | 15,107,545                  |
| ISWM Phase VI Liner             | 3,600,000                   |
| Fire Dept Engine 125            | 695,000                     |
| CPC Buzzards Bay Park           | 555,000                     |
| ISWM Phase V Liner Construction | 392,880                     |
| Peebles Elementary School Study | 350,000                     |
| Wasterwater Facility Study      | 335,000                     |
| ISWM R-3 Multi-Purpose Packer   | 260,000                     |
| Road Repair Elgin Road          | 240,000                     |
| School Technology Plan          | 210,000                     |
| DPW T-16 Dump Sander            | 176,000                     |
| School Asbestos Abatement       | 150,000                     |
| Police Cruisers                 | 134,053                     |
| Facillities Comm Build Security | 75,000                      |
| Total                           | <u><u>\$ 60,034,165</u></u> |

**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.

**TOWN OF BOURNE, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 10 LANDFILL CLOSURE AND POSTCLOSURE CARE (CONTINUED)**

The closure and postclosure care liability consist of the following at June 30, 2017:

|  |                            |
|--|----------------------------|
| <u>Closure:</u>                              |                            |
| Phase 3, Stage 3 South Side                  | \$ 444,161                 |
| Phase 4, Stage 2                             | 830,384                    |
| Transfer Station                             | <u>122,987</u>             |
| Total Closure                                | 1,397,532                  |
| Postclosure care                             | <u>2,308,234</u>           |
| Total closure and postclosure care liability | <u><u>\$ 3,705,766</u></u> |

The Phase 3, Stage 3, South Side landfill closure liability represents the cumulative amount reported based on the use of 100% capacity of the cell. The Phase 4, Stage 2 closure liability represents the cumulative amount reported based on the use of 61% capacity. The postclosure care liability represents the cumulative amount reported based on the use of 72% of the estimated capacity of the entire landfill.

Closure and postclosure care costs consist of the following at June 30, 2017:

|  |                           |
|--|---------------------------|
| <u>Costs:</u>                              |                           |
| Postclosure Care                           | \$ 22,770                 |
| Phase 4, Stage 2                           | 376,476                   |
| Transfer Station                           | <u>9,531</u>              |
| Total closure and postclosure care costs   | 408,777                   |
| Less: Amounts Paid and Changes in Estimate | <u>(474,488)</u>          |
| Net Decrease to Landfill Liability         | <u><u>\$ (65,711)</u></u> |

These amounts are based on what it would cost to perform all closure and postclosure care in 2017. Based on current demographic information and engineering estimates of landfill consumption, the Town expects to close the landfill in approximately 2024. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The Town will recognize the remaining estimated cost of closure and postclosure care of approximately \$5,000,000 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, 2017, approximately \$6,600,000 has been set aside for closure and postclosure care costs.

**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS**

**Plan Description** – The Town provides health and life insurance coverage for its retirees and their survivors (hereinafter referred to as the Plan) as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of June 30, 2016, the latest actuarial valuation, is as follows:

|   |                   |
|---|-------------------|
| Active Employees                                | 396               |
| Retired Employees, Beneficiaries and Dependents | <u>499</u>        |
| Total   | <u><u>895</u></u> |

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

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

|  |                             |
|--|-----------------------------|
| Annual Required Contribution               | \$ 7,938,394                |
| Interest on Net OPEB Obligation            | 998,929                     |
| Adjustment to annual required contribution | <u>(957,247)</u>            |
| Annual OPEB Cost                           | 7,980,076                   |
| Contributions Made                         | <u>(3,500,577)</u>          |
| Increase in Net OPEB Obligation            | 4,479,499                   |
| Net OPEB Obligation at Beginning of Year   | <u>27,903,038</u>           |
| Net OPEB Obligation at End of Year         | <u><u>\$ 32,382,537</u></u> |

**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

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

| Fiscal Year<br>Ending | Annual<br>OPEB Cost<br>(AOPEBC) | Percentage<br>of AOPEBC<br>Contributed | Net<br>OPEB<br>Obligation |
|-----------------------|---------------------------------|--|---------------------------|
| June 30, 2015         | \$ 6,039,334                    | 47.1%                                  | \$ 24,358,576             |
| June 30, 2016         | 6,362,526                       | 44.3%                                  | 27,903,038                |
| June 30, 2017         | 7,980,076                       | 43.9%                                  | 32,382,537                |

**Funded Status and Funding Progress** – The funded status of the Plan at June 30, 2016, the most recent actuarial valuation, was as follows:

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(A) | Actuarial<br>Accrued<br>Liability (AAL)<br>Projected Unit<br>Credit<br>(B) | Unfunded<br>AAL<br>(UAAL)<br>(B-A) | Funded<br>Ratio<br>(A/B) | Covered<br>Payroll<br>(C) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((B-A)/C) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| 06/30/16                       | \$ -                                   | \$ 110,502,177   | \$ 110,502,177                     | 0.0%                     | \$ 31,899,022             | 346.4%  |

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 actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**TOWN OF BOURNE, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

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

|  |  |
|--|--|
| Valuation date:                                | June 30, 2016  |
| Actuarial cost method:                         | Entry Age Normal   |
| Amortization method:                           | Amortization payments increasing at 3.5%   |
| Remaining amortization period:                 | 30 years (open)  |
| Interest discount rate:                        | 3.58%  |
| Medical/Prescription drug cost trend rate:     |  |
| Under 65:                                      | 3.0%, then 7.0% decreasing by 0.5% for five years to an ultimate level of 4.5% per year  |
| Over 65:                                       | 2.2%, then 7.0% decreasing by 0.5% for five years to an ultimate level of 4.5% per year  |
| GIC Medical/Prescription Drug Cost Trend Rate: |  |
| Under 65:                                      | 6.8%, then 8.5% decreasing by 0.5% for seven years to an ultimate level of 5.0% per year |
| Over 65:                                       | 1.6%, then 8.5% decreasing by 0.5% for seven years to an ultimate level of 5.0% per year |
| Dental:  | 0.0% for one year then 4.5% thereafter   |
| Inflation rate:                                | 3.5%   |



**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

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

|  |                     |
|--|---------------------|
| Governmental Activities:               |                     |
| General government                     | \$ 427,514          |
| Public safety                          | 2,039,078           |
| Education                              | 4,430,922           |
| Public works                           | 326,435             |
| Health and human services              | 142,937             |
| Culture and recreation                 | <u>147,835</u>      |
| Total AOEBC - governmental activities  | <u>7,514,721</u>    |
| Business-Type Activities:              |                     |
| Sewer                                  | 39,937              |
| Landfill                               | <u>425,418</u>      |
| Total AOEBC - business-type activities | <u>465,355</u>      |
| Total AOEBC                            | <u>\$ 7,980,076</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, 2017 totaled \$570,000. Changes in the reported liability since July 1, 2015, are as follows:

|                  | Balance at<br>Beginning of<br>Fiscal Year | Current Year<br>Claims and<br>Changes in<br>Estimate | Claims<br>Payments | Balance at<br>Fiscal<br>Year-end |
|------------------|---|--|--------------------|----------------------------------|
| Fiscal year 2016 | \$ 540,000                                | \$ 9,790,732   | \$ (9,728,732)     | \$ 602,000                       |
| Fiscal year 2017 | 602,000                                   | 8,615,169  | (8,647,169)        | 570,000                          |

**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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<br>Preservation | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---------------------------------|---------------|---------------------------|-----------------------------------|--------------------------------|
| <b>Nonspendable:</b>            |               |                           |                                   |                                |
| Permanent Fund Principal        | \$ -          | \$ -                      | \$ 35,341                         | \$ 35,341                      |
| <b>Restricted for:</b>          |               |                           |                                   |                                |
| Debt Service                    | 328,547       | -                         | -                                 | 328,547                        |
| OPEB                            | 1,059,276     | -                         | -                                 | 1,059,276                      |
| Community Preservation          | -             | 4,477,900                 | -                                 | 4,477,900                      |
| Ambulance Receipts Reserved     | -             | -                         | 1,738,034                         | 1,738,034                      |
| Foundation Reserve              | -             | -                         | 160,276                           | 160,276                        |
| School Choice                   | -             | -                         | 321,197                           | 321,197                        |
| Capital                         | -             | -                         | 4,232,516                         | 4,232,516                      |
| Open Space                      | -             | -                         | 250,000                           | 250,000                        |
| Affordable Housing              | -             | -                         | 567,950                           | 567,950                        |
| Community development block gra | -             | -                         | 30,341                            | 30,341                         |
| School Lunch                    | -             | -                         | 90,971                            | 90,971                         |
| General Government              | -             | -                         | 169,036                           | 169,036                        |
| Public Safety                   | -             | -                         | 715,305                           | 715,305                        |
| Education                       | -             | -                         | 1,260,584                         | 1,260,584                      |
| Public Works                    | -             | -                         | 352,407                           | 352,407                        |
| Health and Human Services       | -             | -                         | 78,995                            | 78,995                         |
| Culture and Recreation          | -             | -                         | 158,885                           | 158,885                        |
| Sub-Total - Restricted          | 1,387,823     | 4,477,900                 | 10,126,497                        | 15,992,220                     |
| <b>Committed to:</b>            |               |                           |                                   |                                |
| Subsequent Year's Expenditures  | 795,300       | -                         | -                                 | 795,300                        |
| Capital Stabilization           | 920,319       | -                         | -                                 | 920,319                        |
| Continuing Appropriations       | 1,904,473     | -                         | -                                 | 1,904,473                      |
| Sub-Total - Committed           | 3,620,092     | -                         | -                                 | 3,620,092                      |
| <b>Assigned to:</b>             |               |                           |                                   |                                |
| General government              | 32,321        | -                         | -                                 | 32,321                         |
| Education                       | 31,748        | -                         | -                                 | 31,748                         |
| Other                           | 58,293        | -                         | -                                 | 58,293                         |
| Sub-Total - Assigned            | 122,362       | -                         | -                                 | 122,362                        |
| <b>Unassigned</b>               | 13,639,160    | -                         | (11,400)                          | 13,627,760                     |
|                                 | \$ 18,769,437 | \$ 4,477,900              | \$ 10,150,438                     | \$ 33,397,775                  |

**TOWN OF BOURNE, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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, 2017 total \$3,760,776 and \$920,319, respectively. These balances are reported in the general fund as unassigned and committed fund balance, respectively.

**NOTE 15 PENSION PLAN**

**General Information about the Pension Plan**

*Plan description* Employees of the Town deemed eligible by the Barnstable County Retirement Board are provided with pensions through the BCRA - a cost-sharing multiemployer defined benefit pension plan administered by the Barnstable County Retirement Board. Membership in the BCRA is mandatory immediately upon the commencement of employment for all permanent employees (except for school department employees who serve in a teaching capacity) working a minimum of 25 hours per week. The BCRA issues a publicly available financial report that can be obtained by contacting the BCRA located at 750 Attucks Lane, Hyannis, Massachusetts, 02601.

*Benefits provided.* Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The plan provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are three classes of membership in the plan; Group 1, Group 2 and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, Group 4 consists of police officers, firefighters, and other hazardous positions.

Any individual in Group 1 or Group 2 whose membership began before January 1, 1978, and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or later, regardless of how many years of credible service he or she has completed.

There are no minimum vesting requirements for individuals in Group 4.

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

Members in Groups 1 and 2, hired on or after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching the age of 60 (Group 1) or age 55 (Group 2).

**TOWN OF BOURNE, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 15 PENSION PLAN (CONTINUED)**

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status and group classification.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

*Contributions* Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the plan. Employers are required to pay an actuarially determined annual appropriation. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the plan's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriations are allocated amongst employers based on covered payroll. Active member employees contribute between 5 and 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000. Contributions to the pension plan from the Town were \$3,395,528 for the year ended June 30, 2017.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the Town reported a liability of \$42,164,706 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 for which update procedures were used to roll forward the total pension liability to the measurement date. The Town proportion of the net pension liability is a blended rate of the proportionate share of active employer's covered payroll, direct charges for early retirement incentives and the direct amortization of the actuarial determined net pension liability for employer members that no longer have active covered payroll.

At December 31, 2016, the Town proportion was 6.001%, compared to its proportion of 6.197% at December 31, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$3,324,831. At June 30, 2017, the Town reported deferred outflows of resources related to pensions of \$5,378,998 from the net difference between projected and actual investment earnings on plan investments (\$2,398,771), changes of assumptions (\$2,501,237) and changes in proportion and differences between employer contributions and proportionate shares of contributions (\$480,990). At June 30, 2017, the Town reported deferred inflows of resources related to pensions of \$1,487,445 from differences between actual and expected experience (\$540,257) and changes in proportion and differences between employer contributions and proportionate shares of contributions (\$947,188).

**TOWN OF BOURNE, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 15 PENSION PLAN (CONTINUED)**

The amounts reported as deferred outflows of resources related to pensions and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30</u> |                     |
|---------------------------|---------------------|
| 2018                      | \$ 1,113,376        |
| 2019                      | 1,113,376           |
| 2020                      | 1,098,870           |
| 2021                      | 360,074             |
| 2022                      | <u>205,857</u>      |
| Totals                    | <u>\$ 3,891,553</u> |

*Actuarial assumptions* Total pension liability was determined using the following actuarial assumptions:

|                           |  |
|---------------------------|--|
| Investment rate of return | 7.625%, net of pension plan investment expense, including inflation (previously 7.750%)  |
| Salary increases          | Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2 and 4.75% for Group 4.   |
| Mortality Rates:          | <p>Pre-Retirement - The RP-2000 Employee Mortality Table projected generationally with a Scale BB2D from 2009</p> <p>Healthy Retiree - The RP-2000 Healthy Annuitant Mortality Table projected generationally with a Scale BB2D from 2009.</p> <p>Disabled Retiree - The RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015.</p> |
| Cost-of-living adjustment | 3% of the first \$18,000   |

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2014 to December 31, 2015.

**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 15 PENSION PLAN (CONTINUED)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class                              | Target Allocation | Long-Term Expected Real Rate of Return |
|--|-------------------|--|
| Domestic Equity                          | 18.00%            | 6.44%                                  |
| International Equity - Developed Markets | 16.00%            | 7.40%                                  |
| International Equity - Emerging Markets  | 6.00%             | 9.42%                                  |
| Core Fixed Income                        | 13.00%            | 2.02%                                  |
| High-Yield Fixed Income                  | 10.00%            | 4.43%                                  |
| Real Estate                              | 10.00%            | 5.00%                                  |
| Commodities                              | 4.00%             | 4.43%                                  |
| Hedge Fund, GTAA, Risk Parity            | 13.00%            | 3.75%                                  |
| Private Equity                           | 10.00%            | 10.47%                                 |
| Totals                                   | <u>100.00%</u>    |  |

*Discount rate:* The discount rate used to measure the total pension liability was 7.625%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.625%, as well as what the Town proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.625%) or 1-percentage-point higher (8.625%) than the current rate:

|  | 1% Decrease<br>(6.625%) | Current<br>Discount Rate<br>(7.625%) | 1% Increase<br>(8.625%) |
|--|-------------------------|--------------------------------------|-------------------------|
| Town of Bourne's Proportionate<br>Share of the Net Pension Liability | \$ 53,655,040           | \$ 42,164,706                        | \$ 32,473,171           |

*Pension plan fiduciary net position* Detailed information about the pension plan's fiduciary net position is available in the separately issued BCRA financial report.

**TOWN OF BOURNE, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM**

***General Information about the Pension Plan***

*Plan description.* Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth of Massachusetts' (Commonwealth) reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth's audited financial statements that can be obtained at <http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

*Benefits provided.* MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit requirements. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

*Contributions.* The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2017. The Commonwealth's net pension liability associated with the Town was \$49,892,333.

The MTRS' net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016.

**TOWN OF BOURNE, MASSACHUSETTS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

For the year ended June 30, 2016, the Town recognized pension expense of \$5,089,345 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

*Actuarial assumptions.* The MTRS' total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. This valuation used the following assumptions:

|                           |  |
|---------------------------|--|
| Investment rate of return | 7.5%   |
| Salary increases          | Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service   |
| Mortality Rates:          | <p>Pre-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct)</p> <p>Post-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct)</p> <p>Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years</p> |
| Other                     | <p>3.5% interest rate credited to the annuity savings fund</p> <p>3.0% cost of living increase per year</p>  |

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2016 are summarized in the following table:

| Asset Class                     | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------------|-------------------|--|
| Global Equity                   | 40.0%             | 6.9%                                   |
| Core Fixed Income               | 13.0%             | 1.6%                                   |
| Private Equity                  | 10.0%             | 8.7%                                   |
| Real Estate                     | 10.0%             | 4.6%                                   |
| Value Added Fixed Income        | 10.0%             | 4.8%                                   |
| Hedge Funds                     | 9.0%              | 4.0%                                   |
| Portfolio Completion Strategies | 4.0%              | 3.6%                                   |
| Timber/Natural Resources        | 4.0%              | 5.4%                                   |
| Total                           | <u>100.0%</u>     |  |



**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

*Discount rate.* The discount rate used to measure the MTRS' total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Pension plan fiduciary net position.* Detailed information about the MTRS' fiduciary net position is available in the Commonwealth's audited financial statements.

**NOTE 17 COMMITMENTS**

The Town has entered into, or is planning to enter into, other construction projects totaling approximately \$60,000,000 for school construction, police station construction and various other governmental projects.

Other significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$2,026,835 at June 30, 2017.

**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, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2017.

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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.

**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 19 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

The GASB has issued the following statements:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented during fiscal year 2018. The implementation of the Statement, among other things, will require the Town, for the first time, to record the entire other postemployment benefits liability in the statements of net position.
- Statement No. 81, *Irrevocable Split-Interest Agreements*, which is required to be implemented during fiscal year 2018. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 83, *Certain Asset Retirement Obligations*, which is required to be implemented during fiscal year 2019. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 84, *Fiduciary Activities*, which is required to be implemented during fiscal year 2020. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 85, *Omnibus 2017*, which is required to be implemented during fiscal year 2018. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 86, *Certain Debt Extinguishment Issues*, which is required to be implemented during fiscal year 2018. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 87, *Leases*, which is required to be implemented during fiscal year 2021. Management is currently evaluating the Statement's impact on the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

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**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, 2017**

|  | Prior Year<br>Encumbrances<br>and Continuing<br>Appropriations | Original<br>Budget  | Supplemental<br>Appropriations<br>and Transfers | Final<br>Budget     |
|--|--|---------------------|---|---------------------|
| <b>REVENUES</b>  |  |                     |   |                     |
| Real Estate and Personal Property Taxes                      | \$ -   | \$ 44,511,659       | \$ -  | \$ 44,511,659       |
| Motor Vehicle and Other Excise Taxes                         | -  | 2,651,657           | -   | 2,651,657           |
| Tax Liens  | -  | -                   | -   | -                   |
| Payments in Lieu of Taxes                                    | -  | 20,000              | -   | 20,000              |
| Intergovernmental  | -  | 7,758,848           | -   | 7,758,848           |
| Special Assessments  | -  | -                   | -   | -                   |
| Penalties and Interest on Taxes                              | -  | 225,000             | -   | 225,000             |
| Licenses and Permits   | -  | 585,000             | -   | 585,000             |
| Fines and Forfeitures  | -  | 130,000             | -   | 130,000             |
| Departmental and Other                                       | -  | 2,129,427           | -   | 2,129,427           |
| Investment Income  | -  | 25,000              | -   | 25,000              |
| Total Revenues   | -  | 58,036,591          | -   | 58,036,591          |
| <b>EXPENDITURES</b>  |  |                     |   |                     |
| Current:   |  |                     |   |                     |
| General Government   | 560,890  | 4,448,544           | 14,082  | 5,023,516           |
| Public Safety  | 1,101,932  | 9,785,665           | -   | 10,887,597          |
| Education  | 466,663  | 24,472,470          | -   | 24,939,133          |
| Public Works   | 26,958   | 2,262,150           | 65,680  | 2,354,788           |
| Health and Human Services                                    | 990  | 902,536             | -   | 903,526             |
| Culture and Recreation                                       | -  | 783,959             | -   | 783,959             |
| Pension Benefits   | -  | 3,591,636           | -   | 3,591,636           |
| Employee Benefits  | 6,983  | 8,370,517           | -   | 8,377,500           |
| Property and Liability Insurance                             | -  | 1,364,958           | -   | 1,364,958           |
| State and County Charges                                     | -  | 4,276,103           | -   | 4,276,103           |
| Debt Service:  |  |                     |   |                     |
| Principal  | -  | 3,374,042           | -   | 3,374,042           |
| Interest   | -  | 949,567             | -   | 949,567             |
| Total Expenditures   | 2,164,416  | 64,582,147          | 79,762  | 66,826,325          |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <u>(2,164,416)</u>   | <u>(6,545,556)</u>  | <u>(79,762)</u>                                 | <u>(8,789,734)</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |  |                     |   |                     |
| Transfers In   | -  | 4,915,371           | 264,091   | 5,179,462           |
| Transfers Out  | -  | (1,341,905)         | -   | (1,341,905)         |
| Total Other Financing Sources (Uses)                         | -  | 3,573,466           | 264,091   | 3,837,557           |
| <b>NET CHANGE IN FUND BALANCE</b>                            | (2,164,416)  | (2,972,090)         | 184,329   | (4,952,177)         |
| Fund Balance at Beginning of Year                            | 11,756,511   | 11,756,511          | 11,756,511                                      | 11,756,511          |
| <b>FUND BALANCE AT END OF YEAR</b>                           | <u>\$ 9,592,095</u>  | <u>\$ 8,784,421</u> | <u>\$ 11,940,840</u>                            | <u>\$ 6,804,334</u> |

See accompanying independent auditors' report.

| <u>Actual</u>        | <u>Current Year<br/>Encumbrances<br/>and Continuing<br/>Appropriations</u> | <u>Actual and<br/>Encumbrances<br/>and Continuing<br/>Appropriations</u> | <u>Variance<br/>Positive/<br/>(Negative)</u> |
|----------------------|--|--|--|
| \$ 44,416,214        | \$ -   | \$ 44,416,214  | \$ (95,445)                                  |
| 3,641,672            | -  | 3,641,672  | 990,015                                      |
| 502,495              | -  | 502,495  | 502,495                                      |
| 10,831               | -  | 10,831   | (9,169)                                      |
| 7,744,013            | -  | 7,744,013  | (14,835)                                     |
| 113,079              | -  | 113,079  | 113,079                                      |
| 236,784              | -  | 236,784  | 11,784                                       |
| 745,208              | -  | 745,208  | 160,208                                      |
| 122,491              | -  | 122,491  | (7,509)                                      |
| 2,733,028            | -  | 2,733,028  | 603,601                                      |
| 52,732               | -  | 52,732   | 27,732                                       |
| <u>60,318,547</u>    | <u>-</u>   | <u>60,318,547</u>  | <u>2,281,956</u>                             |
| 4,124,588            | 621,055  | 4,745,643  | 277,873                                      |
| 9,516,798            | 1,038,687  | 10,555,485   | 332,112                                      |
| 24,632,043           | 307,090  | 24,939,133   | -  |
| 2,107,803            | 20,970   | 2,128,773  | 226,015                                      |
| 857,738              | 2,433  | 860,171  | 43,355                                       |
| 762,920              | 1,250  | 764,170  | 19,789                                       |
| 3,487,393            | -  | 3,487,393  | 104,243                                      |
| 7,689,288            | 35,350   | 7,724,638  | 652,862                                      |
| 1,361,250            | -  | 1,361,250  | 3,708  |
| 4,357,864            | -  | 4,357,864  | (81,761)                                     |
| 3,374,042            | -  | 3,374,042  | -  |
| 933,001              | -  | 933,001  | 16,566                                       |
| <u>63,204,728</u>    | <u>2,026,835</u>   | <u>65,231,563</u>  | <u>1,594,762</u>                             |
| <u>(2,886,181)</u>   | <u>(2,026,835)</u>   | <u>(4,913,016)</u>   | <u>3,876,718</u>                             |
| 5,179,462            | -  | 5,179,462  | -  |
| <u>(1,341,905)</u>   | <u>-</u>   | <u>(1,341,905)</u>   | <u>-</u>                                     |
| <u>3,837,557</u>     | <u>-</u>   | <u>3,837,557</u>   | <u>-</u>                                     |
| 951,376              | (2,026,835)  | (1,075,459)  | 3,876,718                                    |
| <u>11,756,511</u>    | <u>-</u>   | <u>11,756,511</u>  | <u>-</u>                                     |
| <u>\$ 12,707,887</u> | <u>\$ (2,026,835)</u>  | <u>\$ 10,681,052</u>   | <u>\$ 3,876,718</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, 2017**

|  | Prior Year<br>Encumbrances<br>and Continuing<br>Appropriations | Original<br>Budget  | Supplemental<br>Appropriations<br>and Transfers | Final<br>Budget     |
|--|--|---------------------|---|---------------------|
| <b>REVENUES</b>  |  |                     |   |                     |
| Community Preservation Surcharges                            | \$ -   | \$ 1,261,852        | \$ -  | \$ 1,261,852        |
| Tax Liens  | -  | -                   | -   | -                   |
| Penalties and Interest on Taxes                              | -  | -                   | -   | -                   |
| Intergovernmental  | -  | 355,000             | -   | 355,000             |
| Investment Income  | -  | 10,000              | -   | 10,000              |
| Total Revenues   | -  | 1,626,852           | -   | 1,626,852           |
| <b>EXPENDITURES</b>  |  |                     |   |                     |
| Current:   |  |                     |   |                     |
| Health and Human Services                                    | 449,662  | 157,000             | 42,833  | 649,495             |
| Culture and Recreation                                       | 2,110,540  | 1,885,950           | 886,187   | 4,882,677           |
| Total Expenditures   | 2,560,202  | 2,042,950           | 929,020   | 5,532,172           |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | (2,560,202)  | (416,098)           | (929,020)                                       | (3,905,320)         |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |  |                     |   |                     |
| Transfers In   | -  | -                   | -   | -                   |
| Proceeds of Bonds and Notes                                  | -  | 675,000             | -   | 675,000             |
| Premium from Issuance of Bonds and Notes                     | -  | -                   | -   | -                   |
| Transfers Out  | -  | (632,883)           | -   | (632,883)           |
| Total Other Financing Sources (Uses)                         | -  | 42,117              | -   | 42,117              |
| <b>NET CHANGE IN FUND BALANCE</b>                            | (2,560,202)  | (373,981)           | (929,020)                                       | (3,863,203)         |
| Fund Balance at Beginning of Year                            | 5,011,380  | 5,011,380           | 5,011,380                                       | 5,011,380           |
| <b>FUND BALANCE AT END OF YEAR</b>                           | <u>\$ 2,451,178</u>  | <u>\$ 4,637,399</u> | <u>\$ 4,082,360</u>                             | <u>\$ 1,148,177</u> |

See accompanying independent auditors' report.

| <u>Actual</u>       | <u>Current Year<br/>Encumbrances<br/>and Continuing<br/>Appropriations</u> | <u>Actual and<br/>Encumbrances<br/>and Continuing<br/>Appropriations</u> | <u>Variance<br/>Positive/<br/>(Negative)</u> |
|---------------------|--|--|--|
| 1,287,219           | \$ -   | \$ 1,287,219   | \$ 25,367                                    |
| 14,009              | -  | 14,009   | 14,009                                       |
| 5,770               | -  | 5,770  | 5,770  |
| 284,317             | -  | 284,317  | (70,683)                                     |
| 10,394              | -  | 10,394   | 394  |
| <u>1,601,709</u>    | <u>-</u>   | <u>1,601,709</u>   | <u>(25,143)</u>                              |
| 59,952              | 589,543  | 649,495  | -  |
| <u>2,165,325</u>    | <u>2,717,352</u>   | <u>4,882,677</u>   | <u>-</u>                                     |
| <u>2,225,277</u>    | <u>3,306,895</u>   | <u>5,532,172</u>   | <u>-</u>                                     |
| (623,568)           | (3,306,895)  | (3,930,463)  | (25,143)                                     |
| -                   | -  | -  | -  |
| 675,000             | -  | 675,000  | -  |
| 47,971              | -  | 47,971   | 47,971                                       |
| <u>(632,883)</u>    | <u>-</u>   | <u>(632,883)</u>   | <u>-</u>                                     |
| <u>90,088</u>       | <u>-</u>   | <u>90,088</u>  | <u>47,971</u>                                |
| (533,480)           | (3,306,895)  | (3,840,375)  | 22,828                                       |
| <u>5,011,380</u>    | <u>-</u>   | <u>5,011,380</u>   | <u>-</u>                                     |
| <u>\$ 4,477,900</u> | <u>\$ (3,306,895)</u>  | <u>\$ 1,171,005</u>  | <u>\$ 22,828</u>                             |

**TOWN OF BOURNE, MASSACHUSETTS  
PENSION PLAN SCHEDULES  
JUNE 30, 2017**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –  
BARNSTABLE COUNTY RETIREMENT ASSOCIATION (1) (2)**

|  | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|
| Town's proportion of the net pension liability   | 6.001%      | 6.197%      | 6.079%      |
| Town's proportionate share of the net pension liability  | 42,164,706  | 39,022,403  | 34,318,522  |
| Town's covered payroll   | 16,584,878  | 16,795,291  | 15,944,474  |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 254.24%     | 232.34%     | 215.24%     |
| Plan fiduciary net position as a percentage of the total pension liability                     | 57.28%      | 58.10%      | 60.43%      |

(1) Data is being accumulated annually to present 10 years of the reported information

(2) Amounts presented were determined as of December 31 of the applicable fiscal year

**SCHEDULE OF CONTRIBUTIONS – BARNSTABLE COUNTY RETIREMENT ASSOCIATION (1) (2)**

|  | <u>2017</u>        | <u>2016</u>        | <u>2015</u>        |
|--|--------------------|--------------------|--------------------|
| Actuarially Required Contribution                                  | \$ 3,401,770       | \$ 3,352,724       | \$ 3,160,253       |
| Contributions in Relation to the Actuarially Required Contribution | <u>(3,401,770)</u> | <u>(3,352,724)</u> | <u>(3,160,253)</u> |
| Contribution Deficiency (Excess)                                   | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| Town's Covered Payroll   | \$ 16,584,878      | \$ 16,795,291      | \$15,944,474       |
| Contributions as a Percentage of Covered Payroll                   | 20.51%             | 19.96%             | 19.82%             |

(1) Data is being accumulated annually to present 10 years of the reported information

(2) Amounts presented were determined as of December 31 of the applicable fiscal year



**TOWN OF BOURNE, MASSACHUSETTS  
PENSION PLAN SCHEDULES  
JUNE 30, 2017**

**SCHEDULE OF SPECIAL FUNDING AMOUNTS OF THE NET PENSION LIABILITY  
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (1) (2)**

|   | <u>2017</u>   | <u>2016</u>   | <u>2015</u>  |
|---|---------------|---------------|--------------|
| Commonwealth's 100% share of the net pension liability associated with the Town | \$ 49,892,333 | \$ 45,923,625 | \$36,921,229 |
| Town's expense and revenue recognized for the Commonwealth's support            | \$ 5,089,345  | \$ 3,724,815  | \$ 2,565,095 |
| Plan fiduciary net position as a percentage of the total pension liability      | 52.73%        | 55.38%        | 61.64%       |

(1) Data is being accumulated annually to present 10 years of the reported information

(2) Amounts presented were determined as of December 31 of the applicable fiscal year

**TOWN OF BOURNE, MASSACHUSETTS  
OTHER POSTEMPLOYMENT BENEFITS SCHEDULE  
JUNE 30, 2017**

**SCHEDULES OF FUNDING PROGRESS**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(A) | Actuarial<br>Accrued<br>Liability (AAL)<br>(B) | Unfunded<br>AAL<br>(UAAL)<br>(B-A) | Funded<br>Ratio<br>(A/B) | Covered<br>Payroll<br>(C) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((B-A)/C) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| 06/30/16                       | \$ -                                   | \$ 110,502,177                                 | \$ 110,502,177                     | 0.0%                     | \$ 31,899,022             | 346.4%  |
| 06/30/14                       | -                                      | 75,865,247                                     | 75,865,247                         | 0.0%                     | 28,072,966                | 270.2%  |
| 06/30/12                       | -                                      | 73,492,873                                     | 73,492,873                         | 0.0%                     | 32,108,828                | 228.9%  |

The significant changes in the methods and assumptions used in the June 30, 2016 actuarial valuation that impacted trends in the schedule of funding progress are as follows:

- The healthcare/medical cost trend rate was decreased for members under 65 to 3.0%, then 7.0% decreasing by 0.5% for five years to an ultimate level of 4.5% per year, and for members under 65, to 2.2%, then 7.0% decreasing by 0.5% for five years to an ultimate level of 4.5% per year (previously 10.0% decreasing by 2.0% for 1 year and 0.5% for 6 years to an ultimate level of 5%).
- The actuarial cost method was changed to entry age normal (previously projected unit credit)
- The amortization method reflects payments increasing at 3.5% (previously 4.0%)
- The interest discount rate was lowered from 4.5% to 3.58%

The significant changes in the methods and assumptions used in the June 30, 2014 actuarial valuation that impacted trends in the schedule of funding progress are as follows:

- The healthcare/medical cost trend rate was increased to 10.0% decreasing by 2.0% for 1 year and 0.5% for 6 years to an ultimate level of 5% (previously 8.0% decreasing by 0.5% for 6 years.)

The significant changes in the methods and assumptions used in the June 30, 2012 actuarial valuation that impacted trends in the schedule 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% (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 independent auditors' report.

**TOWN OF BOURNE, MASSACHUSETTS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2017**

**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 (accounting principles generally accepted in the United States of American). A reconciliation of budgetary-basis to GAAP-basis results for the general fund and community preservation fund for the fiscal year ended June 30, 2017, is presented below:

***General Fund***

|  | Revenues             | Expenditures         | Other<br>Financing<br>Sources (Uses) | Fund<br>Balance      |
|--|----------------------|----------------------|--------------------------------------|----------------------|
| Budgetary Basis as Reported on the Schedule of<br>Revenues, Expenditures and Change in Fund<br>Balance - Budget and Actual | \$ 60,318,547        | \$ 65,231,563        | \$ 3,837,557                         | \$ 10,681,052        |
| <u>Adjustments and reclassifications:</u>  |                      |                      |                                      |                      |
| Net Change in Recording 60-Day Receipts  | 179,690              | -                    | -                                    | 331,624              |
| Net Change in Recording Tax Refunds Payable  | 185,385              | -                    | -                                    | -                    |
| Net Change in Recording Workers Compensation Claims  | -                    | (93,112)             | -                                    | -                    |
| Net Change in Recording Short-Term Interest Accrual  | -                    | (6,546)              | -                                    | (10,445)             |
| To Record MTRS On-Behalf Payments  | 5,089,345            | 5,089,345            | -                                    | -                    |
| Encumbrances and Continuing Appropriations   | -                    | (2,026,835)          | -                                    | 2,026,835            |
| <u>Reclassifications:</u>  |                      |                      |                                      |                      |
| To Reclassify the Activity of the Stabilization Funds<br>to the General Fund   | 1,111                | -                    | 770,700                              | 4,681,095            |
| To Reclassify the Activity of the OPEB Fund<br>to the General Fund   | 28,987               | -                    | 250,000                              | 1,059,276            |
|  | <u>28,987</u>        | <u>-</u>             | <u>250,000</u>                       | <u>1,059,276</u>     |
| GAAP Basis as Reported on the Statement of Revenues,<br>expenditures and changes in fund balances                          | <u>\$ 65,803,065</u> | <u>\$ 68,194,415</u> | <u>\$ 4,858,257</u>                  | <u>\$ 18,769,437</u> |

***Community Preservation Fund***

|   | Revenues            | Expenditures        | Other<br>Financing<br>Sources (Uses) | Fund<br>Balance     |
|---|---------------------|---------------------|--------------------------------------|---------------------|
| Budgetary Basis as Reported on the Schedule of<br>Revenues, Expenditures and Changes in Fund<br>Balance - Budget and Actual | \$ 1,601,709        | \$ 5,532,172        | \$ 90,088                            | \$ 1,171,005        |
| <u>Adjustments:</u>   |                     |                     |                                      |                     |
| To Record Encumbrances and Continuing Appropriations  | -                   | (3,306,895)         | -                                    | 3,306,895           |
| GAAP Basis as Reported on the Statement of Revenues,<br>Expenditures and Changes in Fund Balances                           | <u>\$ 1,601,709</u> | <u>\$ 2,225,277</u> | <u>\$ 90,088</u>                     | <u>\$ 4,477,900</u> |