

TOWN OF BOURNE, MASSACHUSETTS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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Independent Auditors' Report



Certified Public Accountants

SULLIVAN, ROGERS & COMPANY, LLC

Corporate Place I, Suite 204 • 99 South Bedford Street

Burlington, Massachusetts 01803

P • 781-229-5600 F • 781-229-5610 www.sullivan-rogers.com

Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Bourne, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bourne, Massachusetts, as of and for the fiscal year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Bourne, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bourne, Massachusetts, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 15, the Town has restated the beginning net assets of its governmental activities, business-type activities and sewer enterprise fund. We have audited the adjustments as described in Note 15 that were applied to restate the fiscal year 2008 basic financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2009, on our consideration of the Town of Bourne, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis (located on pages 4 through 12) and general fund budgetary comparison and certain pension information (located on pages 57 through 61) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Sullivan, T & Company, LLC

June 10, 2009

Management's Discussion and Analysis

As management of the Town of Bourne, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2008.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$98,871,630 (net assets). Of this amount, \$25,590,593 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$11,446,596.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$10,773,606, a decrease of \$4,937,905 in comparison with the prior year. Approximately \$13,484,000 represents unreserved fund balance of the general, special revenue and permanent funds. The major and nonmajor governmental capital projects funds' deficits totaling \$5,022,200 will be funded in future fiscal years via long-term debt and intergovernmental revenues.
- At the end of the fiscal year, undesignated fund balance for the general fund totaled \$6,507,963, or 12.2 percent of total general fund expenditures and transfers out.
- The Town's total bonded debt decreased by \$2,938,355 during the fiscal year; \$1,422,000 of new debt was issued during the year for landfill equipment.

Overview of the Basic Financial Statements

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

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

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

Government-wide financial statements

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

The **statement of net assets** presents information on all of the Town's non-fiduciary assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

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

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

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

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

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

Governmental Funds

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

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

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

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

Proprietary funds

The Town maintains two types of proprietary funds.

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

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

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

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

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

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-56 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension information, which can be found on pages 57-61.

Government-Wide Financial Analysis

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

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$98,871,630 at the close of the fiscal year and are summarized as follows:

| | <i>Governmental Activities</i> | | <i>Business-Type Activities</i> | | <i>Total</i> | |
|---|--------------------------------|---------------|---------------------------------|---------------|---------------|---------------|
| | 2008 | 2007* | 2008 | 2007* | 2008 | 2007* |
| Assets | | | | | | |
| Current assets..... | \$ 33,557,710 | \$ 25,763,768 | \$ 11,785,788 | \$ 9,756,897 | \$ 45,343,498 | \$ 35,520,665 |
| Noncurrent assets (excluding capital assets)..... | 8,883,229 | 10,555,648 | 2,436,134 | 4,681,658 | 11,319,363 | 15,237,306 |
| Capital assets (net)..... | 86,901,330 | 73,397,977 | 14,525,196 | 13,878,293 | 101,426,526 | 87,276,270 |
| Total assets..... | 129,342,269 | 109,717,393 | 28,747,118 | 28,316,848 | 158,089,387 | 138,034,241 |
| Liabilities | | | | | | |
| Current liabilities (excluding debt)..... | 6,974,841 | 5,079,737 | 1,472,948 | 495,208 | 8,447,789 | 5,574,945 |
| Noncurrent liabilities (excluding debt)..... | 1,624,839 | 997,578 | 2,880,249 | 1,993,470 | 4,505,088 | 2,991,048 |
| Current debt..... | 10,700,928 | 9,003,352 | 3,103,354 | 2,829,156 | 13,804,282 | 11,832,508 |
| Noncurrent debt..... | 28,322,475 | 25,828,422 | 4,138,123 | 4,382,284 | 32,460,598 | 30,210,706 |
| Total liabilities..... | 47,623,083 | 40,909,089 | 11,594,674 | 9,700,118 | 59,217,757 | 50,609,207 |
| Net Assets | | | | | | |
| Invested in capital assets (net of related debt)..... | 61,409,614 | 55,876,451 | 9,011,306 | 7,562,062 | 70,420,920 | 63,438,513 |
| Restricted..... | 2,860,117 | 2,675,406 | - | - | 2,860,117 | 2,675,406 |
| Unrestricted..... | 17,449,455 | 10,256,447 | 8,141,138 | 11,054,668 | 25,590,593 | 21,311,115 |
| Total net assets..... | \$ 81,719,186 | \$ 68,808,304 | \$ 17,152,444 | \$ 18,616,730 | \$ 98,871,630 | \$ 87,425,034 |

* As restated and described in Note 15 (page 55)

The largest portion of the Town's net assets (71.2%) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery and equipment, and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (2.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (25.9% or \$25,590,593) may be used to meet the Town's ongoing obligations to citizens and creditors. Of this amount, \$17,449,455 may be used to support governmental activities and \$8,141,138 may be used to support business-type activities.

Changes in Net Assets

For the fiscal year ended June 30, 2008, the Town's total net assets increased by \$11,446,596, compared to an increase of \$7,187,478 in the prior fiscal year. These amounts are summarized as follows:

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2008 | 2007* | 2008 | 2007* | 2008 | 2007* |
| Revenues | | | | | | |
| <i>Program Revenues:</i> | | | | | | |
| Charges for services..... | \$ 4,542,583 | \$ 4,818,494 | \$ 10,517,829 | \$ 13,880,705 | \$ 15,060,412 | \$ 18,699,199 |
| Operating grants and contributions..... | 15,837,055 | 12,875,926 | 504,765 | - | 16,341,820 | 12,875,926 |
| Capital grants and contributions..... | 7,143,876 | 2,776,420 | - | - | 7,143,876 | 2,776,420 |
| <i>General Revenues:</i> | | | | | | |
| Real estate, personal property taxes and liens..... | 32,475,955 | 31,295,949 | - | - | 32,475,955 | 31,295,949 |
| Motor vehicle and other excise taxes..... | 2,374,273 | 2,308,686 | - | - | 2,374,273 | 2,308,686 |
| Penalties and interest on taxes..... | 264,338 | 359,569 | - | - | 264,338 | 359,569 |
| Payments in lieu of taxes..... | 9,338 | - | - | - | 9,338 | - |
| Community preservation surcharges..... | 921,002 | - | - | - | 921,002 | - |
| Grants and contributions not restricted to specific programs..... | 2,682,633 | 3,035,836 | - | - | 2,682,633 | 3,035,836 |
| Unrestricted investment income..... | 542,666 | 910,722 | - | 501,260 | 542,666 | 1,411,982 |
| Premium from issuance of bonds and notes..... | 30,149 | - | - | - | 30,149 | - |
| Permanent fund contributions..... | - | 5,000 | - | - | - | 5,000 |
| Other..... | 75,780 | 3,277,376 | - | - | 75,780 | 3,277,376 |
| Total revenues..... | 66,899,648 | 61,663,978 | 11,022,594 | 14,381,965 | 77,922,242 | 76,045,943 |
| Expenses | | | | | | |
| General government..... | 2,563,481 | 2,737,718 | - | - | 2,563,481 | 2,737,718 |
| Public safety..... | 10,743,083 | 7,797,487 | - | - | 10,743,083 | 7,797,487 |
| Education..... | 36,454,161 | 29,426,153 | - | - | 36,454,161 | 29,426,153 |
| Public works..... | 3,026,842 | 2,415,826 | - | - | 3,026,842 | 2,415,826 |
| Health and human services..... | 1,414,534 | 829,377 | - | - | 1,414,534 | 829,377 |
| Culture and recreation..... | 1,158,781 | 858,103 | - | - | 1,158,781 | 858,103 |
| Employee benefits..... | - | 10,056,518 | - | - | - | 10,056,518 |
| Other..... | - | 1,700,608 | - | - | - | 1,700,608 |
| Debt service - interest..... | 1,486,140 | 1,504,735 | - | - | 1,486,140 | 1,504,735 |
| Sewer..... | - | - | 892,835 | 737,108 | 892,835 | 737,108 |
| Landfill..... | - | - | 8,735,789 | 10,794,832 | 8,735,789 | 10,794,832 |
| Total expenses..... | 56,847,022 | 57,326,525 | 9,628,624 | 11,531,940 | 66,475,646 | 68,858,465 |
| Change in net assets before transfers..... | 10,052,626 | 4,337,453 | 1,393,970 | 2,850,025 | 11,446,596 | 7,187,478 |
| Transfers, net..... | 2,858,256 | 117,958 | (2,858,256) | (117,958) | - | - |
| Change in net assets..... | 12,910,882 | 4,455,411 | (1,464,286) | 2,732,067 | 11,446,596 | 7,187,478 |
| Net assets - beginning of year..... | 68,808,304 | 64,352,893 | 18,616,730 | 15,884,663 | 87,425,034 | 80,237,556 |
| Net assets - end of year..... | <u>\$ 81,719,186</u> | <u>\$ 68,808,304</u> | <u>\$ 17,152,444</u> | <u>\$ 18,616,730</u> | <u>\$ 98,871,630</u> | <u>\$ 87,425,034</u> |

* As restated and described in Note 15 (page 55)

Governmental activities increased the Town's net assets by \$12,910,882. In the prior year, governmental activities increased the Town's net assets by \$4,455,411. A key element of this change is the receipt and accrual of a portion of the Massachusetts School Building Authority's capital grant of approximately \$6,245,000 related to the elementary school construction project. Another key element of the change is the reduction of health insurance costs totaling approximately \$2,000,000.

Business-type activities decreased the Town's net assets by \$1,464,286. In the prior year, business-type activities increased the Town's net assets by \$2,732,067. A key element of this change is the substantial change in fees collected at the landfill, which is a reflection of the current market conditions. Another key element of the change is the increase in the recognition of landfill closure and postclosure care costs totaling approximately \$550,000.

Fund Financial Statement Analysis

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

Governmental funds

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

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$10,773,606, a decrease of \$4,937,905 in comparison with the prior year. Approximately \$10,193,000 represents undesignated fund balance of the general, special revenue and permanent funds. The major and nonmajor governmental capital projects funds' deficits totaling \$5,022,200 will be funded in future fiscal years via long-term debt and intergovernmental revenues. The remainder of fund balance is designated or reserved to indicate that it is not available for new spending because it has already been committed to:

- Liquidate contracts and purchase orders of the prior period (\$1,265,909)
- Perpetual permanent funds (\$48,089)
- Other specific purposes (\$997,438)
- Stabilization (\$2,641,380)
- Fund a portion of the fiscal year 2009 operating budget (\$650,478)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, undesignated fund balance of the general fund totaled \$6,507,963, while total fund balance was \$8,424,350. As a measure of the general fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total general fund expenditures and transfers out. Undesignated fund balance represents 12.2% of total general fund expenditures and transfers out, while total fund balance represents 15.7% of that same amount.

The balance of the Town's general fund increased by \$1,614,343 during fiscal year 2008. Although the Town recognized an approximate \$4,521,000 budgetary surplus (excluding encumbrances and continuing appropriations), approximately \$3,246,000 of reserves was utilized for spending during the year. A key element of the budgetary surplus is related to an approximate \$2,000,000 savings in health insurance expenditures during fiscal year 2008.

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 \$2,530,613 during the current fiscal year. The fund's receipts included community preservation surcharges (\$920,697), intergovernmental revenue (\$898,816) and investment income (\$114,769). Expenditures totaling approximately \$3,800,000 were incurred for various acquisitions of land and a transfer of \$627,708 was made to the general fund to cover community preservation related debt service.

The fund balance of the elementary school construction fund decreased by \$4,784,676 during the current fiscal year. The fund incurred expenditures of \$9,455,226 related to construction and received a portion of the Massachusetts School Building Authority's capital grant totaling \$4,670,550.

Proprietary funds

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

Unrestricted net assets of the sewer and landfill enterprise funds at the end of the year amounted to \$609,514 and \$7,531,624, respectively. The sewer fund had a decrease in net assets for the year of \$276,453, whereas the landfill fund had a decrease of \$1,187,833. 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 \$52,137,340 was increased by \$1,121,860 (2.2%) during the fiscal year. The following table summarizes the increase:

| Purpose of Increase | Amount | Funding Source |
|---|---------------------|--------------------------------|
| Transfer to stabilization fund..... | \$ 700,000 | Undesignated fund balance |
| Police department new patrol boat..... | 110,000 | Waterways special revenue fund |
| Headquarters feasibility study..... | 100,000 | Undesignated fund balance |
| Review of municipal facilities..... | 80,000 | Undesignated fund balance |
| Ambulance computers..... | 40,881 | Undesignated fund balance |
| Consulting services for various projects and studies..... | 35,000 | Undesignated fund balance |
| Wastewater study phase 1..... | 22,000 | Undesignated fund balance |
| Vehicle pool Ford Escape..... | 19,100 | Undesignated fund balance |
| Planning Board consulting services..... | 10,000 | Undesignated fund balance |
| Unpaid bills..... | 4,879 | Undesignated fund balance |
| Total increase..... | \$ <u>1,121,860</u> | |

During the year, general fund revenues and other financing sources (uses) exceeded budgetary estimates, while expenditures and continuing appropriations were less than budgeted appropriations, resulting in a positive budget to actual variance of approximately \$3,255,000.

*Capital Asset and Debt Administration*Capital assets

The Town's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$101,426,526 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment, other and infrastructure. The total increase in the investment in capital assets for the current fiscal year totaled 16.2% (a 15.5% increase for governmental activities and a 0.7% increase for business-type activities).

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

- Buildings and infrastructure construction in progress (\$10,646,295)
- Land purchases (\$2,276,000)
- Landfill construction in progress (\$1,514,691)
- New fields (\$1,514,286)
- Roadway improvements (\$771,904)

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

| | <i>Governmental Activities</i> | | <i>Business-Type Activities</i> | | <i>Total</i> | |
|---------------------------------|--------------------------------|---------------|---------------------------------|---------------|----------------|---------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Land..... | \$ 25,885,619 | \$ 23,609,619 | \$ 2,209,658 | \$ 2,209,658 | \$ 28,095,277 | \$ 25,819,277 |
| Construction in progress..... | 13,176,739 | 3,621,557 | 3,522,656 | 2,007,965 | 16,699,395 | 5,629,522 |
| Land improvements..... | 2,139,503 | 515,025 | 158,927 | 187,759 | 2,298,430 | 702,784 |
| Buildings and improvements..... | 38,290,789 | 39,806,155 | 2,120,859 | 2,683,149 | 40,411,648 | 42,489,304 |
| Machinery and equipment..... | 4,118,756 | 3,213,601 | 1,900,218 | 1,916,138 | 6,018,974 | 5,129,739 |
| Other..... | - | - | 209,624 | 264,584 | 209,624 | 264,584 |
| Infrastructure..... | 3,289,924 | 2,632,509 | 4,403,254 | 4,609,040 | 7,693,178 | 7,241,549 |
| Total capital assets..... | \$ 86,901,330 | \$ 73,398,466 | \$ 14,525,196 | \$ 13,878,293 | \$ 101,426,526 | \$ 87,276,759 |

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

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$37,184,344, which is backed by the full faith and credit of the Town, and is summarized as follows:

| | <i>Governmental Activities</i> | | <i>Business-Type Activities</i> | | <i>Total</i> | |
|-------------------------------|--------------------------------|---------------|---------------------------------|--------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| General obligation bonds..... | \$ 30,916,450 | \$ 33,831,600 | \$ 5,305,000 | \$ 5,217,000 | \$ 36,221,450 | \$ 39,048,600 |
| MWPAT notes..... | 471,417 | 501,659 | 491,477 | 572,440 | 962,894 | 1,074,099 |
| Total bonds and notes..... | \$ 31,387,867 | \$ 34,333,259 | \$ 5,796,477 | \$ 5,789,440 | \$ 37,184,344 | \$ 40,122,699 |

The Town's total bonded debt decreased by \$2,938,355 (7.3%) during the current fiscal year. During the fiscal year, the Town issued long-term debt totaling \$1,422,000 for landfill equipment.

The Town has an AA- rating from Standard & Poor's for its most recent issuance of short-term debt on January 30, 2009.

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

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town Hall, 24 Perry Avenue, Bourne, Massachusetts 02532.

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Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2008

| ASSETS | Primary Government | | |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| Current assets: | | | |
| Cash and cash equivalents..... | \$ 17,578,840 | \$ 8,937,937 | \$ 26,516,777 |
| Restricted cash and cash equivalents..... | 4,252,712 | 1,461,619 | 5,714,331 |
| Investments..... | 3,034,213 | - | 3,034,213 |
| Restricted investments..... | 858,856 | - | 858,856 |
| Receivables, net of allowance for uncollectible amounts: | | | |
| Real estate and personal property taxes..... | 1,478,395 | - | 1,478,395 |
| Tax liens..... | 401,690 | 38,428 | 440,118 |
| Motor vehicle and other excise taxes..... | 354,696 | - | 354,696 |
| Community preservation surcharges..... | 41,751 | - | 41,751 |
| User charges..... | - | 1,297,371 | 1,297,371 |
| Special assessments..... | 16,107 | 2,093 | 18,200 |
| Departmental and other..... | 599,925 | - | 599,925 |
| Intergovernmental..... | 3,557,725 | 48,340 | 3,606,065 |
| Working capital deposit..... | 1,382,800 | - | 1,382,800 |
| Total current assets..... | 33,557,710 | 11,785,788 | 45,343,498 |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents..... | - | 130,777 | 130,777 |
| Restricted investments..... | - | 1,829,759 | 1,829,759 |
| Receivables, net of allowance for uncollectible amounts: | | | |
| Real estate tax deferrals..... | 46,123 | - | 46,123 |
| Special assessments..... | 261,192 | 257,970 | 519,162 |
| Intergovernmental..... | 8,076,844 | 217,628 | 8,294,472 |
| Tax foreclosures..... | 499,070 | - | 499,070 |
| Capital assets not being depreciated..... | 39,062,358 | 5,732,314 | 44,794,672 |
| Capital assets, net of accumulated depreciation..... | 47,838,972 | 8,792,882 | 56,631,854 |
| Total noncurrent assets..... | 95,784,559 | 16,961,330 | 112,745,889 |
| Total assets..... | 129,342,269 | 28,747,118 | 158,089,387 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Warrants payable..... | 3,996,640 | 1,305,957 | 5,302,597 |
| Accrued payroll..... | 1,765,341 | 38,832 | 1,804,173 |
| Tax refunds payable..... | 140,665 | - | 140,665 |
| Other liabilities..... | 32,127 | - | 32,127 |
| Accrued interest..... | 428,941 | 110,868 | 539,809 |
| Accrued health claims payable..... | 430,589 | - | 430,589 |
| Compensated absences..... | 180,538 | 17,291 | 197,829 |
| Short-term notes payable..... | 7,635,536 | 1,445,000 | 9,080,536 |
| Long-term bonds and notes payable..... | 3,065,392 | 1,658,354 | 4,723,746 |
| Total current liabilities..... | 17,675,769 | 4,576,302 | 22,252,071 |
| Noncurrent liabilities: | | | |
| Landfill closure..... | - | 2,724,631 | 2,724,631 |
| Compensated absences..... | 1,624,839 | 155,618 | 1,780,457 |
| Long-term bonds and notes payable..... | 28,322,475 | 4,138,123 | 32,460,598 |
| Total noncurrent liabilities..... | 29,947,314 | 7,018,372 | 36,965,686 |
| Total liabilities..... | 47,623,083 | 11,594,674 | 59,217,757 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt..... | 61,409,614 | 9,011,306 | 70,420,920 |
| Restricted for: | | | |
| Community preservation..... | 1,766,792 | - | 1,766,792 |
| Permanent funds: | | | |
| Expendable..... | 47,798 | - | 47,798 |
| Nonexpendable..... | 48,089 | - | 48,089 |
| Other specific purposes..... | 997,438 | - | 997,438 |
| Unrestricted..... | 17,449,455 | 8,141,138 | 25,590,593 |
| Total net assets..... | \$ 81,719,186 | \$ 17,152,444 | \$ 98,871,630 |

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| Functions/Programs | Expenses | Program Revenues | | | |
|-------------------------------------|---------------|----------------------|------------------------------------|----------------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense)/Revenue |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government..... | \$ 2,563,481 | \$ 350,506 | \$ 213,957 | \$ - | \$ (1,999,018) |
| Public safety..... | 10,743,083 | 3,129,063 | 265,949 | - | (7,348,071) |
| Education..... | 36,454,161 | 852,623 | 12,952,473 | 6,245,060 | (16,404,005) |
| Public works..... | 3,026,842 | 29,559 | 1,820,112 | - | (1,177,171) |
| Health and human services..... | 1,414,534 | 77,919 | 165,739 | - | (1,170,876) |
| Culture and recreation..... | 1,158,781 | 102,913 | 33,617 | 898,816 | (123,435) |
| Debt service - interest..... | 1,486,140 | - | 385,208 | - | (1,100,932) |
| Total governmental activities..... | 56,847,022 | 4,542,583 | 15,837,055 | 7,143,876 | (29,323,508) |
| Business-type activities: | | | | | |
| Sewer..... | 892,835 | 750,091 | 15,181 | - | (127,563) |
| Landfill..... | 8,735,789 | 9,767,738 | 489,584 | - | 1,521,533 |
| Total business-type activities..... | 9,628,624 | 10,517,829 | 504,765 | - | 1,393,970 |
| Total primary government..... | \$ 66,475,646 | \$ 15,060,412 | \$ 16,341,820 | \$ 7,143,876 | \$ (27,929,538) |

See notes to basic financial statements.

STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | Primary Government | | |
|--|----------------------------|-----------------------------|-----------------|
| | Governmental Activities | Business-type Activities | Total |
| Changes in net assets: | | | |
| Net (expense)/ revenue (from previous page)..... | \$ (29,323,508) | \$ 1,393,970 | \$ (27,929,538) |
| <i>General revenues:</i> | | | |
| Real estate, personal property taxes and tax liens..... | 32,475,955 | - | 32,475,955 |
| Motor vehicle and other excise taxes..... | 2,374,273 | - | 2,374,273 |
| Penalties and interest on taxes..... | 264,338 | - | 264,338 |
| Payments in lieu of taxes..... | 9,338 | - | 9,338 |
| Community preservation surcharges..... | 921,002 | - | 921,002 |
| Grants and contributions not restricted to specific programs..... | 2,682,633 | - | 2,682,633 |
| Unrestricted investment income..... | 542,666 | - | 542,666 |
| Premium from issuance of bonds and notes..... | 30,149 | - | 30,149 |
| Other..... | 75,780 | - | 75,780 |
| Transfers, net | 2,858,256 | (2,858,256) | - |
| Total general revenues, special items and transfers..... | 42,234,390 | (2,858,256) | 39,376,134 |
| Change in net assets..... | 12,910,882 | (1,464,286) | 11,446,596 |
| Net assets - beginning of year (as restated)..... | 68,808,304 | 18,616,730 | 87,425,034 |
| Net assets - end of year..... | \$ 81,719,186 | \$ 17,152,444 | \$ 98,871,630 |

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2008

| ASSETS | General | Community Preservation | Elementary School Construction |
|--|----------------------|---------------------------|--------------------------------------|
| Cash and cash equivalents..... | \$ 11,114,680 | \$ - | \$ - |
| Investments..... | - | - | - |
| Receivables, net of allowance for uncollectible amounts: | | | |
| Real estate and personal property taxes..... | 1,478,395 | - | - |
| Real estate tax deferrals..... | 46,123 | - | - |
| Tax liens..... | 393,109 | 8,581 | - |
| Motor vehicle and other excise taxes..... | 354,696 | - | - |
| Community preservation surcharges..... | - | 41,751 | - |
| Special assessments..... | 7,694 | - | - |
| Departmental and other..... | 20 | - | - |
| Intergovernmental..... | 8,749,914 | - | 2,193,020 |
| Tax foreclosures..... | 499,070 | - | - |
| Restricted assets: | | | |
| Cash and cash equivalents..... | - | 2,410,854 | 1,697,926 |
| Investments..... | - | 858,856 | - |
| TOTAL ASSETS..... | \$ 22,643,701 | \$ 3,320,042 | \$ 3,890,946 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES: | | | |
| Warrants payable..... | \$ 951,478 | \$ 3,250 | \$ 1,649,775 |
| Accrued payroll..... | 1,723,935 | - | - |
| Tax refunds payable..... | 140,665 | - | - |
| Other liabilities..... | 32,127 | - | - |
| Deferred revenue..... | 11,275,754 | 50,332 | 1,574,510 |
| Accrued short-term interest..... | 95,392 | - | - |
| Short-term notes payable..... | - | 1,550,000 | 5,000,000 |
| TOTAL LIABILITIES..... | 14,219,351 | 1,603,582 | 8,224,285 |
| FUND BALANCES: | | | |
| Reserved for: | | | |
| Encumbrances and continuing appropriations..... | 1,265,909 | - | - |
| Perpetual permanent funds..... | - | - | - |
| Other specific purposes..... | - | - | - |
| Unreserved: | | | |
| Designated for stabilization..... | - | - | - |
| Designated for subsequent year's expenditures..... | 650,478 | - | - |
| Undesignated, reported in: | | | |
| General fund..... | 6,507,963 | - | - |
| Special revenue funds..... | - | 1,716,460 | - |
| Capital projects funds..... | - | - | (4,333,339) |
| Permanent funds..... | - | - | - |
| TOTAL FUND BALANCES..... | 8,424,350 | 1,716,460 | (4,333,339) |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 22,643,701 | \$ 3,320,042 | \$ 3,890,946 |

See notes to basic financial statements.

| Nonmajor Governmental Funds | | Total Governmental Funds | |
|-----------------------------------|------------------|--------------------------------|-------------------|
| \$ | 2,736,888 | \$ | 13,851,568 |
| | 3,034,213 | | 3,034,213 |
| | - | | 1,478,395 |
| | - | | 46,123 |
| | - | | 401,690 |
| | - | | 354,696 |
| | - | | 41,751 |
| | 269,605 | | 277,299 |
| | 599,905 | | 599,925 |
| | 691,635 | | 11,634,569 |
| | - | | 499,070 |
| | 143,932 | | 4,252,712 |
| | - | | 858,856 |
| \$ | <u>7,476,178</u> | \$ | <u>37,330,867</u> |

| | | | |
|----|------------------|----|-------------------|
| \$ | 513,590 | \$ | 3,118,093 |
| | 41,406 | | 1,765,341 |
| | - | | 140,665 |
| | - | | 32,127 |
| | 869,511 | | 13,770,107 |
| | - | | 95,392 |
| | <u>1,085,536</u> | | <u>7,635,536</u> |
| | <u>2,510,043</u> | | <u>26,557,261</u> |

| | | | |
|----|------------------|----|-------------------|
| | - | | 1,265,909 |
| | 48,089 | | 48,089 |
| | 997,438 | | 997,438 |
| | 2,641,380 | | 2,641,380 |
| | - | | 650,478 |
| | - | | 6,507,963 |
| | 1,920,291 | | 3,636,751 |
| | (688,861) | | (5,022,200) |
| | <u>47,798</u> | | <u>47,798</u> |
| | <u>4,966,135</u> | | <u>10,773,606</u> |
| \$ | <u>7,476,178</u> | \$ | <u>37,330,867</u> |

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | General | Community Preservation | Elementary School Construction |
|---|---------------------|---------------------------|--------------------------------------|
| REVENUES | | | |
| Real estate and personal property taxes..... | \$ 31,438,637 | \$ - | \$ - |
| Motor vehicle and other excise taxes..... | 2,346,780 | - | - |
| Tax liens..... | 14,069 | 272 | - |
| Payments in lieu of taxes..... | 9,338 | - | - |
| Community preservation surcharges..... | - | 920,697 | - |
| Charges for services..... | 1,100,380 | - | - |
| Intergovernmental | 13,330,879 | 898,816 | 4,670,550 |
| Special assessments..... | 3,145 | - | - |
| Penalties and interest on taxes..... | 260,231 | 4,107 | - |
| Licenses and permits..... | 496,267 | - | - |
| Fines and forfeitures..... | 131,893 | - | - |
| Departmental and other..... | 261,142 | 2,580 | - |
| Contributions..... | - | - | - |
| Investment income..... | 466,159 | 114,769 | - |
| TOTAL REVENUES..... | 49,858,920 | 1,941,241 | 4,670,550 |
| EXPENDITURES | | | |
| Current: | | | |
| General government..... | 2,166,321 | 2,322,160 | - |
| Public safety..... | 7,112,613 | - | - |
| Education..... | 20,821,186 | - | 9,455,226 |
| Public works..... | 2,028,661 | - | - |
| Health and human services..... | 748,788 | 35,835 | - |
| Culture and recreation..... | 743,831 | 1,486,151 | - |
| Pension benefits..... | 5,606,261 | - | - |
| Employee benefits..... | 6,003,251 | - | - |
| Property and liability insurance..... | 774,957 | - | - |
| State and county charges..... | 1,791,335 | - | - |
| Debt service: | | | |
| Principal..... | 2,945,392 | - | - |
| Interest..... | 1,389,786 | - | - |
| TOTAL EXPENDITURES..... | 52,132,382 | 3,844,146 | 9,455,226 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | (2,273,462) | (1,902,905) | (4,784,676) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in..... | 5,226,331 | - | - |
| Premium from issuance of bonds and notes..... | 30,149 | - | - |
| Transfers out..... | (1,368,675) | (627,708) | - |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 3,887,805 | (627,708) | - |
| NET CHANGE IN FUND BALANCES..... | 1,614,343 | (2,530,613) | (4,784,676) |
| FUND BALANCES AT BEGINNING OF YEAR (AS RECLASSIFIED, SEE NOTE 16)..... | 6,810,007 | 4,247,073 | 451,337 |
| FUND BALANCES AT END OF YEAR..... | \$ 8,424,350 | \$ 1,716,460 | \$ (4,333,339) |

See notes to basic financial statements.

| Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------------|--------------------------------|
| \$ - | \$ 31,438,637 |
| - | 2,346,780 |
| - | 14,341 |
| - | 9,338 |
| - | 920,697 |
| 2,706,785 | 3,807,165 |
| 6,141,197 | 25,041,442 |
| - | 3,145 |
| - | 264,338 |
| - | 496,267 |
| - | 131,893 |
| 61,982 | 325,704 |
| 166,889 | 166,889 |
| 79,707 | 660,635 |
| <u>9,156,560</u> | <u>65,627,271</u> |
| 246,167 | 4,734,648 |
| 862,221 | 7,974,834 |
| 5,463,352 | 35,739,764 |
| 1,209,644 | 3,238,305 |
| 95,144 | 879,767 |
| 145,299 | 2,375,281 |
| - | 5,606,261 |
| - | 6,003,251 |
| - | 774,957 |
| - | 1,791,335 |
| - | 2,945,392 |
| - | 1,389,786 |
| <u>8,021,827</u> | <u>73,453,581</u> |
| <u>1,134,733</u> | <u>(7,826,310)</u> |
| 1,368,675 | 6,595,006 |
| - | 30,149 |
| <u>(1,740,367)</u> | <u>(3,736,750)</u> |
| <u>(371,692)</u> | <u>2,888,405</u> |
| 763,041 | (4,937,905) |
| <u>4,203,094</u> | <u>15,711,511</u> |
| <u>\$ 4,966,135</u> | <u>\$ 10,773,606</u> |

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

JUNE 30, 2008

| | |
|--|----------------------|
| Total governmental fund balances (page 19)..... | \$ 10,773,606 |
| Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds..... | 86,901,330 |
| Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds..... | 13,770,107 |
| In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due..... | (333,549) |
| 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..... | (31,387,867) |
| Compensated absences..... | (1,805,377) |
| Internal service funds are used by management to account for health insurance activities. The assets and liabilities of the internal service funds are reported as governmental activities in the statement of net assets..... | 3,800,936 |
| Net assets of governmental activities (page 15)..... | <u>\$ 81,719,186</u> |

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 21)..... \$ (4,937,905)

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..... | 16,313,933 |
| Depreciation..... | (2,793,607) |

In the statement of activities, only the *gain/(loss)* on the disposals of capital assets is reported, whereas in the governmental funds the entire proceeds of the disposal are reported as financial resources. As a result, the change in net assets differs from the change in fund balance by the net book value of the capital assets disposed..... (16,973)

Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue..... 1,240,741

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the related activity of the current period.

| | |
|----------------------|-----------|
| Bond maturities..... | 2,945,392 |
|----------------------|-----------|

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..... (96,354)

Some expenses reported in the statement activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. This amount represents the net change:

| | |
|---------------------------|-----------|
| Compensated absences..... | (755,295) |
|---------------------------|-----------|

Internal service funds are used by management to account for health insurance activities. The net activity of the internal service funds is reported with governmental activities..... 1,010,950

Changes in net assets of governmental activities (page 17)..... \$ 12,910,882

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS**

JUNE 30, 2008

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|--|---|---------------|---------------|--|
| ASSETS | Sewer | Landfill | Total | |
| Current assets: | | | | |
| Cash and cash equivalents..... | \$ 244,335 | \$ 8,693,602 | \$ 8,937,937 | \$ 3,727,272 |
| Restricted cash and cash equivalents..... | 2,938 | 1,458,681 | 1,461,619 | - |
| Receivables, net of allowance for uncollectible amounts: | | | | |
| User charges..... | 98,030 | 1,199,341 | 1,297,371 | - |
| Utility liens..... | 38,428 | - | 38,428 | - |
| Special assessments..... | 2,093 | - | 2,093 | - |
| Intergovernmental..... | 48,340 | - | 48,340 | - |
| Working capital deposit..... | - | - | - | 1,382,800 |
| Total current assets..... | 434,164 | 11,351,624 | 11,785,788 | 5,110,072 |
| Noncurrent assets: | | | | |
| Restricted cash and cash equivalents..... | - | 130,777 | 130,777 | - |
| Restricted investments..... | - | 1,829,759 | 1,829,759 | - |
| Receivables, net of allowance for uncollectible amounts: | | | | |
| Special assessments..... | 257,970 | - | 257,970 | - |
| Intergovernmental..... | 217,628 | - | 217,628 | - |
| Capital assets not being depreciated..... | - | 5,732,314 | 5,732,314 | - |
| Capital assets, net of accumulated depreciation..... | 4,649,464 | 4,143,418 | 8,792,882 | - |
| Total noncurrent assets..... | 5,125,062 | 11,836,268 | 16,961,330 | - |
| Total assets..... | 5,559,226 | 23,187,892 | 28,747,118 | 5,110,072 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Warrants payable..... | 2,269 | 1,303,688 | 1,305,957 | 878,547 |
| Accrued payroll..... | 3,420 | 35,412 | 38,832 | - |
| Accrued interest..... | 1,545 | 109,323 | 110,868 | - |
| Accrued health claims payable..... | - | - | - | 430,589 |
| Compensated absences..... | 2,411 | 14,880 | 17,291 | - |
| Short-term notes payable..... | 45,000 | 1,400,000 | 1,445,000 | - |
| Long-term bonds and notes payable..... | 80,354 | 1,578,000 | 1,658,354 | - |
| Total current liabilities..... | 134,999 | 4,441,303 | 4,576,302 | 1,309,136 |
| Noncurrent liabilities: | | | | |
| Landfill closure..... | - | 2,724,631 | 2,724,631 | - |
| Compensated absences..... | 21,697 | 133,921 | 155,618 | - |
| Long-term bonds and notes payable..... | 411,123 | 3,727,000 | 4,138,123 | - |
| Total noncurrent liabilities..... | 432,820 | 6,585,552 | 7,018,372 | - |
| Total liabilities..... | 567,819 | 11,026,855 | 11,594,674 | 1,309,136 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt..... | 4,381,893 | 4,629,413 | 9,011,306 | - |
| Unrestricted..... | 609,514 | 7,531,624 | 8,141,138 | 3,800,936 |
| Total net assets..... | \$ 4,991,407 | \$ 12,161,037 | \$ 17,152,444 | \$ 3,800,936 |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|---|---|----------------------|----------------------|--|
| | Sewer | Landfill | Total | |
| OPERATING REVENUES | | | | |
| Charges for services..... | \$ 733,819 | \$ 9,767,738 | \$ 10,501,557 | \$ - |
| Penalties and interest..... | 16,272 | - | 16,272 | - |
| Employer contributions..... | - | - | - | 5,631,517 |
| Employee contributions..... | - | - | - | 2,342,906 |
| Other..... | - | - | - | - |
| TOTAL OPERATING REVENUES..... | 750,091 | 9,767,738 | 10,517,829 | 7,974,423 |
| OPERATING EXPENSES | | | | |
| Cost of service and administration..... | 388,934 | 6,347,159 | 6,736,093 | - |
| Town of Wareham capital assessment..... | 188,478 | - | 188,478 | - |
| Repairs and maintenance..... | 37,077 | 222,847 | 259,924 | - |
| Depreciation..... | 272,478 | 976,482 | 1,248,960 | - |
| Closure costs..... | - | 889,440 | 889,440 | - |
| Employee benefits..... | - | - | - | 7,059,152 |
| TOTAL OPERATING EXPENSES..... | 886,967 | 8,435,928 | 9,322,895 | 7,059,152 |
| OPERATING INCOME (LOSS)..... | (136,876) | 1,331,810 | 1,194,934 | 915,271 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Intergovernmental..... | 4,582 | - | 4,582 | - |
| Investment income..... | 10,599 | 489,584 | 500,183 | 95,679 |
| Interest expense..... | (5,868) | (269,310) | (275,178) | - |
| Gain (loss) on disposal of capital assets..... | - | (30,551) | (30,551) | - |
| TOTAL NONOPERATING REVENUES (EXPENSES), NET..... | 9,313 | 189,723 | 199,036 | 95,679 |
| INCOME (LOSS) BEFORE TRANSFERS..... | (127,563) | 1,521,533 | 1,393,970 | 1,010,950 |
| TRANSFERS | | | | |
| Transfers in..... | 9,660 | - | 9,660 | - |
| Transfers out..... | (158,550) | (2,709,366) | (2,867,916) | - |
| TOTAL TRANSFERS..... | (148,890) | (2,709,366) | (2,858,256) | - |
| CHANGE IN NET ASSETS..... | (276,453) | (1,187,833) | (1,464,286) | 1,010,950 |
| NET ASSETS AT BEGINNING OF YEAR (AS RESTATED)..... | 5,267,860 | 13,348,870 | 18,616,730 | 2,789,986 |
| NET ASSETS AT END OF YEAR..... | \$ 4,991,407 | \$ 12,161,037 | \$ 17,152,444 | \$ 3,800,936 |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|--|---|----------------------|----------------------|--|
| | Sewer | Landfill | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers and users..... | \$ 763,040 | \$ 10,297,220 | \$ 11,060,260 | \$ 2,307,306 |
| Receipts from interfund services provided..... | - | - | - | 5,631,517 |
| Payments to vendors..... | (458,632) | (4,696,924) | (5,155,556) | - |
| Payments to employees..... | (142,934) | (1,633,443) | (1,776,377) | - |
| Payments for employee benefits..... | - | - | - | (7,603,851) |
| NET CASH FROM OPERATING ACTIVITIES..... | 161,474 | 3,966,853 | 4,128,327 | 334,972 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers in..... | 9,660 | - | 9,660 | - |
| Transfers out..... | (158,550) | (2,709,366) | (2,867,916) | - |
| NET CASH FROM NONCAPITAL FINANCING ACTIVITIES..... | (148,890) | (2,709,366) | (2,858,256) | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from the issuance of bonds and notes..... | 45,000 | 2,822,000 | 2,867,000 | - |
| Acquisition and construction of capital assets..... | (22,164) | (1,177,471) | (1,199,635) | - |
| Principal payments on bonds and notes..... | (45,622) | (2,743,000) | (2,788,622) | - |
| Interest expense..... | (2,710) | (238,973) | (241,683) | - |
| NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES..... | (25,496) | (1,337,444) | (1,362,940) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of investments..... | - | (1,829,759) | (1,829,759) | - |
| Investment income..... | 10,599 | 489,584 | 500,183 | 95,679 |
| NET CASH FROM INVESTING ACTIVITIES..... | 10,599 | (1,340,175) | (1,329,576) | 95,679 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS..... | (2,313) | (1,420,132) | (1,422,445) | 430,651 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Includes \$4,093,202 reported as restricted in the landfill enterprise fund)..... | 249,586 | 11,703,192 | 11,952,778 | 3,296,621 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$2,938 and \$1,589,458 reported as restricted in the sewer and landfill enterprise funds, respectively)..... | \$ 247,273 | \$ 10,283,060 | \$ 10,530,333 | \$ 3,727,272 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating income (loss)..... | \$ (136,876) | \$ 1,331,810 | \$ 1,194,934 | \$ 915,271 |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: | | | | |
| Depreciation..... | 272,478 | 976,482 | 1,248,960 | - |
| Changes in assets and liabilities: | | | | |
| Utility liens..... | (38,428) | - | (38,428) | - |
| User charges..... | 5,199 | 529,482 | 534,681 | - |
| Special assessments..... | 46,178 | - | 46,178 | - |
| Working capital deposit..... | - | - | - | (35,600) |
| Prepaid expenses..... | - | 35,728 | 35,728 | - |
| Warrants payable..... | (2,192) | 173,895 | 171,703 | (395,974) |
| Accrued payroll..... | 3,420 | 35,412 | 38,832 | - |
| Landfill closure..... | - | 889,440 | 889,440 | - |
| Accrued health claims payable..... | - | - | - | (148,725) |
| Accrued compensated absences..... | 11,695 | (5,396) | 6,299 | - |
| Total adjustments..... | 298,350 | 2,635,043 | 2,933,393 | (580,299) |
| NET CASH FROM OPERATING ACTIVITIES..... | \$ 161,474 | \$ 3,966,853 | \$ 4,128,327 | \$ 334,972 |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | | |
| Intergovernmental debt subsidies (MWPAT)..... | \$ 50,370 | \$ - | \$ 50,370 | \$ - |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

| ASSETS | Private Purpose Trust Funds | Agency Fund |
|--|-----------------------------------|----------------|
| Cash and cash equivalents..... | \$ 30,874 | \$ 471,276 |
| LIABILITIES | | |
| Warrants payable..... | - | 14,372 |
| Accrued payroll..... | - | 703 |
| Liabilities due depositors..... | - | 456,201 |
| Total liabilities..... | - | 471,276 |
| NET ASSETS | | |
| Held in trust for pension benefits and other purposes..... | \$ 30,874 | \$ - |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | <u>Private Purpose Trust Funds</u> |
|--------------------------------------|--|
| ADDITIONS | |
| Net investment income: | |
| Interest..... | \$ <u>817</u> |
| DEDUCTIONS | |
| Other..... | <u>550</u> |
| CHANGE IN NET ASSETS..... | 267 |
| NET ASSETS AT BEGINNING OF YEAR..... | <u>30,607</u> |
| NET ASSETS AT END OF YEAR..... | \$ <u><u>30,874</u></u> |

See notes to basic financial statements.

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

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

B. Reporting Entity

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

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

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

Joint Venture

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

The Town participates in one joint venture with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

Upper Cape Cod Regional Technical School

The Town is indirectly liable for the Upper Cape Cod Regional Technical School's (School) debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's fiscal year 2008 assessment totaled approximately \$1,310,000. Separate audited financial statements of the School may be obtained by contacting the School at 220 Sandwich Road, Bourne, Massachusetts 02532.

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

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

Fund Financial Statements

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

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

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

Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

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

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

The following major proprietary funds are reported:

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

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

Additionally, the following proprietary fund type is reported:

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

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

The following fiduciary fund types are reported:

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

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

E. Deposits and Investments

Government-Wide and Fund Financial Statements

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

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate Taxes, Personal Property Taxes and Tax Liens

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

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

Motor Vehicle Excise Taxes

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

Community Preservation Surcharges

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

User Charges*Sewer*

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

Landfill

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

Special Assessments

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

Departmental and Other

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

Intergovernmental

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

G. Allowance for Uncollectible Amounts

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

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

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

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

Intergovernmental receivables are considered 100% collectible.

H. Inventories

Government-Wide and Fund Financial Statements

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

I. Restricted Assets

Government-Wide and Fund Financial Statements

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

J. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

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

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

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

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

Governmental Fund Financial Statements

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

K. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

M. Deferred Revenue

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

N. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

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

Net assets have been "restricted" for the following:

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

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

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

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

Fund Financial Statements (Fund Balances)

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

Fund balances have been "reserved for" the following:

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

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

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

Fund balances have been "designated for" the following:

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

"Subsequent year's expenditures" represents amounts appropriated for the fiscal year 2009 operating budget.

O. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

P. Investment Income

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

Investment income from proprietary funds is retained in the funds.

Q. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

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

In addition to providing pension benefits, health insurance coverage is provided (on a pay-as-you-go basis) for retired employees and their survivors in accordance with MGL Chapter 32. These costs are recognized by recording the employer's 50% share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2008, this expenditure totaled approximately \$1,102,000. There were approximately 167 participants eligible to receive benefits at June 30, 2008.

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

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

T. Total ColumnGovernment-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2008 approved budget for the general fund authorized approximately \$52,137,000 in appropriations and other amounts to be raised. During fiscal year 2008, supplemental appropriations totaling approximately \$1,122,000 were authorized.

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

B. Fund Deficits

At June 30, 2008, the following fund deficits exist:

| <u>Fund</u> | <u>Amount</u> | <u>Funding Source</u> |
|--|---------------|-------------------------------|
| Elementary school construction (major fund)..... | \$ 4,333,339 | Bond proceeds and state grant |
| Various capital projects..... | 951,474 | Bond proceeds |
| School lunch revolving..... | 20,621 | Available funds |
| Police patrolmens detail revolving..... | 18,959 | Available funds |
| Head of the bay stormwater monitoring..... | 11,777 | Available funds |
| School rental revolving..... | 8,154 | Available funds |

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

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

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk. As of June 30, 2008, \$15,943,729 of the Town's bank balance of \$24,765,200 was uninsured and exposed to custodial credit risk.

Investments Summary

The Town's investments at June 30, 2008 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|--------------------------------|---------------|----------------------------------|--------------|------------|--------------|
| | | Less Than 1 | 1 - 5 | 6 - 10 | More Than 10 |
| <u>Debt Securities:</u> | | | | | |
| U.S. Treasuries..... | \$ 1,077,942 | \$ 302,016 | \$ 670,613 | \$ 105,313 | \$ - |
| U.S. Agencies..... | 1,352,372 | 50,058 | 1,043,235 | 259,079 | - |
| Money market mutual funds..... | 3,940,155 | 3,940,155 | - | - | - |
| Mutual bond funds..... | 952,357 | 26,285 | 341,420 | 296,754 | 287,898 |
| Certificates of deposit..... | 592,572 | 592,572 | - | - | - |
| External investment pools..... | 4,267,846 | 4,267,846 | - | - | - |
| Total debt securities..... | 12,183,244 | \$ 9,178,932 | \$ 2,055,268 | \$ 661,146 | \$ 287,898 |
| <u>Other Investments:</u> | | | | | |
| Equity securities..... | 1,747,585 | | | | |
| Total investments..... | \$ 13,930,829 | | | | |

Noncompliance with the Municipal Finance Laws of the Commonwealth

The restricted investments of the landfill enterprise fund, totaling \$1,829,759, are invested in a mutual bond fund (\$952,357) and equity securities (\$877,402). These types of investments are prohibited by the municipal finance laws of the Commonwealth. Upon sale, call or maturity of these investments, the proceeds from the related transactions will be reinvested in compliance with the municipal finance laws.

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. At June 30, 2008, the Town's investments were exposed to custodial credit risk as follows:

| Investment Type | Fair Value | Held by Counterparty | Held by Counterparty's Trust or Agent |
|--------------------------------|--------------|----------------------|---------------------------------------|
| U.S. Treasuries..... | \$ 1,077,942 | \$ - | \$ 1,077,942 |
| U.S. Agencies..... | 1,086,089 | - | 1,086,089 |
| Money market mutual funds..... | 2,106,623 | - | 2,106,623 |
| Mutual bond funds..... | 952,357 | 952,357 | - |
| Equity securities..... | 1,747,585 | 877,402 | 870,183 |
| Total..... | \$ 6,970,596 | \$ 1,829,759 | \$ 5,140,837 |

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2008, the credit quality ratings of the Town's debt securities are as follows:

| Investment Type | Fair Value | Quality Ratings * | | | | |
|--------------------------------|--------------|-------------------|-----------|-----------|-----------|--------------|
| | | AAA | AA | A | BBB | Unrated |
| Money market mutual funds..... | \$ 3,940,155 | \$ - | \$ - | \$ - | \$ - | \$ 3,940,155 |
| Mutual bond funds..... | 952,357 | 753,886 | 45,427 | 95,045 | 56,951 | 1,048 |
| Certificates of deposit..... | 592,572 | - | - | - | - | 592,572 |
| External investment pools..... | 4,267,846 | - | - | - | - | 4,267,846 |
| Total..... | \$ 9,752,930 | \$ 753,886 | \$ 45,427 | \$ 95,045 | \$ 56,951 | \$ 8,801,621 |

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

Investments - Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The Town does not have a policy for foreign currency risk. As of June 30, 2008, the Town's investments were not exposed to foreign currency risk.

Investments - Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a policy for concentration of credit risk. As of June 30, 2008, the Town was not exposed to concentration of credit risk.

NOTE 4 - ACCOUNTS RECEIVABLE

At June 30, 2008, receivables for the individual major governmental funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|--|----------------------|------------------------------------|----------------------|
| <u>Receivables:</u> | | | |
| Real estate and personal property taxes..... | \$ 1,478,395 | \$ - | \$ 1,478,395 |
| Real estate tax deferrals..... | 46,123 | - | 46,123 |
| Tax and utility liens..... | 401,690 | - | 401,690 |
| Motor vehicle and other excise taxes..... | 436,844 | (82,148) | 354,696 |
| Community preservation surcharges..... | 41,751 | - | 41,751 |
| Special assessments..... | 277,299 | - | 277,299 |
| Departmental and other..... | 1,244,018 | (644,093) | 599,925 |
| Intergovernmental..... | 11,634,569 | - | 11,634,569 |
| | <u>\$ 15,560,689</u> | <u>\$ (726,241)</u> | <u>\$ 14,834,448</u> |

At June 30, 2008, receivables for the sewer and landfill enterprise funds consist of the following:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|--------------------------|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u> | | | |
| User charges..... | \$ 1,342,371 | \$ (45,000) | \$ 1,297,371 |
| Utility liens..... | 38,428 | - | 38,428 |
| Special assessments..... | 260,063 | - | 260,063 |
| Intergovernmental..... | 265,968 | - | 265,968 |
| | <u>\$ 1,906,830</u> | <u>\$ (45,000)</u> | <u>\$ 1,861,830</u> |

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

| | General Fund | Other Governmental Funds | Total |
|--|----------------------|--------------------------------|----------------------|
| <u>Receivable type:</u> | | | |
| Real estate and personal property taxes..... | \$ 1,225,129 | \$ - | \$ 1,225,129 |
| Real estate tax deferrals..... | 46,123 | - | 46,123 |
| Tax liens..... | 393,109 | 8,581 (a) | 401,690 |
| Motor vehicle and other excise taxes..... | 354,696 | - | 354,696 |
| Community preservation surcharges..... | - | 41,751 (a) | 41,751 |
| Special assessments..... | 7,693 | 269,606 (b) | 277,299 |
| Departmental and other..... | 20 | 599,905 (b) | 599,925 |
| Intergovernmental (state school construction)..... | 8,749,914 | 1,574,510 (c) | 10,324,424 |
| Tax foreclosures..... | 499,070 | - | 499,070 |
| Total..... | <u>\$ 11,275,754</u> | <u>\$ 2,494,353</u> | <u>\$ 13,770,107</u> |

(a) Community Preservation Fund (Major Fund)

(b) Nonmajor Governmental Funds

(c) Elementary School Construction Fund (Major Fund)

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school construction bonds outstanding. During fiscal year 2008, approximately \$1,700,000 of such assistance was received. Approximately \$13,758,000 will be received in future fiscal years. Of this amount, approximately \$5,008,000 represents reimbursements of long-term interest costs, and approximately \$8,750,000 represents reimbursement of approved construction costs. Accordingly, an \$8,749,914 intergovernmental receivable and corresponding deferred revenue have been reported in the general fund in the governmental funds financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

The Town is currently in the process of constructing the Bournedale Elementary School, which is accounted for in the major elementary school construction fund. Approximately \$10,200,000 has been spent on the project at June 30, 2008, for which short-term debt totaling \$5,000,000 has been issued. The remainder of the project will be funded via long-term debt and the receipt of funds from the MSBA.

During fiscal year 2008, the MSBA authorized reimbursements totaling \$6,245,060, which represents a portion of the grant award allotted for the project. The maximum reimbursements allowable under the grant total approximately \$15,586,000, which represents 61.67% of the maximum allowable costs totaling approximately \$25,245,000.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|----------------------|-----------------------|---------------------------|
| Governmental Activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 23,609,619 | \$ 2,276,000 | \$ - | \$ 25,885,619 |
| Construction in progress..... | 3,621,557 | 10,646,295 | (1,091,113) | 13,176,739 |
| Total capital assets not being depreciated..... | <u>27,231,176</u> | <u>12,922,295</u> | <u>(1,091,113)</u> | <u>39,062,358</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Land improvements..... | 777,613 | 1,661,296 | - | 2,438,909 |
| Buildings and improvements..... | 58,734,567 | 287,402 | - | 59,021,969 |
| Machinery and equipment..... | 9,709,601 | 1,761,660 | (219,619) | 11,251,642 |
| Infrastructure..... | 3,536,509 | 771,904 | - | 4,308,413 |
| Total capital assets being depreciated..... | <u>72,758,290</u> | <u>4,482,262</u> | <u>(219,619)</u> | <u>77,020,933</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Land improvements..... | (262,588) | (36,818) | - | (299,406) |
| Buildings and improvements..... | (18,928,412) | (1,802,768) | - | (20,731,180) |
| Machinery and equipment..... | (6,496,000) | (839,532) | 202,646 | (7,132,886) |
| Infrastructure..... | (904,000) | (114,489) | - | (1,018,489) |
| Total accumulated depreciation..... | <u>(26,591,000)</u> | <u>(2,793,607)</u> | <u>202,646</u> | <u>(29,181,961)</u> |
| Total capital assets being depreciated, net..... | <u>46,167,290</u> | <u>1,688,655</u> | <u>(16,973)</u> | <u>47,838,972</u> |
| Total governmental activities capital assets, net..... | <u>\$ 73,398,466</u> | <u>\$ 14,610,950</u> | <u>\$ (1,108,086)</u> | <u>\$ 86,901,330</u> |

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|-------------|-------------------|
| Business-Type Activity- Sewer Enterprise : | | | | |
| <u>Capital assets being depreciated:</u> | | | | |
| Machinery and equipment..... | \$ 759,677 | \$ 22,164 | \$ - | \$ 781,841 |
| Other..... | 1,332,118 | - | - | 1,332,118 |
| Infrastructure..... | 7,326,791 | - | - | 7,326,791 |
| Total capital assets being depreciated..... | 9,418,586 | 22,164 | - | 9,440,750 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Machinery and equipment..... | (733,523) | (11,732) | - | (745,255) |
| Other..... | (1,067,534) | (54,960) | - | (1,122,494) |
| Infrastructure..... | (2,717,751) | (205,786) | - | (2,923,537) |
| Total accumulated depreciation..... | (4,518,808) | (272,478) | - | (4,791,286) |
| Total sewer enterprise capital assets, net..... | \$ 4,899,778 | \$ (250,314) | \$ - | \$ 4,649,464 |
| Business-Type Activity- Landfill Enterprise : | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 2,209,658 | \$ - | \$ - | \$ 2,209,658 |
| Construction in progress..... | 2,007,965 | 1,514,691 | - | 3,522,656 |
| Total capital assets not being depreciated..... | 4,217,623 | 1,514,691 | - | 5,732,314 |
| <u>Capital assets being depreciated:</u> | | | | |
| Land improvements..... | 415,809 | - | - | 415,809 |
| Buildings and improvements..... | 11,838,840 | - | - | 11,838,840 |
| Machinery and equipment..... | 5,064,450 | 389,559 | (216,130) | 5,237,879 |
| Total capital assets being depreciated..... | 17,319,099 | 389,559 | (216,130) | 17,492,528 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Land improvements..... | (228,050) | (28,832) | - | (256,882) |
| Buildings and improvements..... | (9,155,691) | (562,290) | - | (9,717,981) |
| Machinery and equipment..... | (3,174,466) | (385,360) | 185,579 | (3,374,247) |
| Total accumulated depreciation..... | (12,558,207) | (976,482) | 185,579 | (13,349,110) |
| Total capital assets being depreciated, net..... | 4,760,892 | (586,923) | (30,551) | 4,143,418 |
| Total landfill enterprise capital assets, net..... | \$ 8,978,515 | \$ 927,768 | \$ (30,551) | \$ 9,875,732 |

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

Governmental Activities:

| | | |
|--------------------------------|----|-----------|
| General government..... | \$ | 113,899 |
| Public safety..... | | 468,949 |
| Education..... | | 1,686,047 |
| Public works..... | | 221,718 |
| Health and human services..... | | 175,769 |
| Culture and recreation..... | | 127,225 |

Total depreciation expense - governmental activities..... \$ 2,793,607

Business-Type Activities:

| | | |
|---------------|----|---------|
| Sewer..... | \$ | 272,478 |
| Landfill..... | | 976,482 |

Total depreciation expense - business-type activities..... \$ 1,248,960

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2008, are summarized as follows:

| Transfers Out: | Transfers In: | | | | Total |
|----------------------------------|---------------------|-----------------------------|-----------------------|----|------------------|
| | General Fund | Nonmajor Governmental Funds | Sewer Enterprise Fund | | |
| General Fund..... | \$ - | \$ 1,368,675 | \$ - | \$ | 1,368,675 (1) |
| Community Preservation Fund..... | 627,708 | - | - | | 627,708 (2) |
| Nonmajor Governmental Funds..... | 1,730,707 | - | 9,660 | | 1,740,367 (3) |
| Sewer Enterprise Fund..... | 158,550 | - | - | | 158,550 (4) |
| Landfill Enterprise Fund..... | 2,709,366 | - | - | | 2,709,366 (5) |
| Total..... | \$ <u>5,226,331</u> | \$ <u>1,368,675</u> | \$ <u>9,660</u> | \$ | <u>6,604,666</u> |

(1) Represents transfers to the stabilization (\$1,287,685), capital projects (\$52,148) and capital stabilization (\$28,842) funds.

(2) Represents transfer to fund debt service.

(3) Represents transfers to fund a portion of the fiscal year 2008 operating budget from the ambulance (\$895,000), waterways improvements (\$283,000), impact aid (\$362,850), community septic management program (\$30,535), conservation commission receipts reserved (\$30,000) and Title V revolving (\$9,660) special revenue funds. Also represents the close out of various special revenue (\$26,203) and capital projects (\$103,119) funds.

(4) Represents transfer of indirect costs.

(5) Represents transfer of indirect costs (\$2,180,524) and the host community fee (\$528,842).

NOTE 7 – SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2008, is as follows:

Notes Payable - Governmental Funds

| Type | Description | Origination Date | Maturity Date | Interest Rate | Balance at June 30, 2007 | Increases | Decreases | Balance at June 30, 2008 |
|------------|---------------------------------------|------------------|---------------|---------------|--------------------------|---------------------|---------------------|--------------------------|
| SAN | Scenic Highway Access Road..... | 6/29/07 | 1/25/08 | 3.83% | \$ 500,000 | \$ - | \$ (500,000) | \$ - |
| BAN | Elementary School..... | 1/30/08 | 1/30/09 | 3.00% | - | 5,000,000 | - | 5,000,000 |
| BAN | MPL of 2008 Turf Fields..... | 1/30/08 | 1/30/09 | 3.00% | - | 1,550,000 | - | 1,550,000 |
| BAN | School Technology Plan..... | 1/30/08 | 1/30/09 | 3.00% | - | 200,000 | - | 200,000 |
| BAN | DPW Packer Truck..... | 1/30/08 | 1/30/09 | 3.00% | - | 160,000 | - | 160,000 |
| BAN | Fire Department Rescue Truck..... | 1/30/08 | 1/30/09 | 3.00% | - | 145,000 | - | 145,000 |
| BAN | DPW Dump Truck..... | 1/30/08 | 1/30/09 | 3.00% | - | 122,768 | - | 122,768 |
| BAN | DPW Dump Truck..... | 1/30/08 | 1/30/09 | 3.00% | - | 122,768 | - | 122,768 |
| BAN | Wireless Network..... | 1/30/08 | 1/30/09 | 3.00% | - | 70,000 | - | 70,000 |
| BAN | School Water Heater Replacement..... | 1/30/08 | 1/30/09 | 3.00% | - | 50,000 | - | 50,000 |
| BAN | School Mini-bus..... | 1/30/08 | 1/30/09 | 3.00% | - | 42,000 | - | 42,000 |
| BAN | DNR pump-out boat..... | 1/30/08 | 1/30/09 | 3.00% | - | 40,000 | - | 40,000 |
| BAN | Fire Department pick up truck..... | 1/30/08 | 1/30/09 | 3.00% | - | 40,000 | - | 40,000 |
| BAN | DPW pick up truck..... | 1/30/08 | 1/30/09 | 3.00% | - | 30,000 | - | 30,000 |
| BAN | DNR boiler replacement at marina..... | 1/30/08 | 1/30/09 | 3.00% | - | 24,000 | - | 24,000 |
| BAN | Fire Station remodeling..... | 1/30/08 | 1/30/09 | 3.00% | - | 20,000 | - | 20,000 |
| BAN | Police generator..... | 1/30/08 | 1/30/09 | 3.00% | - | 19,000 | - | 19,000 |
| Total..... | | | | | <u>\$ 500,000</u> | <u>\$ 7,635,536</u> | <u>\$ (500,000)</u> | <u>\$ 7,635,536</u> |

Notes Payable - Enterprise Funds

| Type | Description | Origination Date | Maturity Date | Interest Rate | Balance at June 30, 2007 | Increases | Decreases | Balance at June 30, 2008 |
|------------|--|------------------|---------------|---------------|--------------------------|---------------------|-----------------------|--------------------------|
| BAN | Landfill Compactor..... | 7/11/06 | 7/11/07 | 4.50% | \$ 447,000 | \$ - | \$ (447,000) | \$ - |
| BAN | ISWM Bulldozer..... | 7/11/06 | 7/11/07 | 4.50% | 300,000 | - | (300,000) | - |
| BAN | Landfill - Phase III, Stage III Capping..... | 6/29/07 | 7/11/07 | 3.83% | 250,000 | - | (250,000) | - |
| BAN | Landfill - New Scale..... | 6/29/07 | 7/11/07 | 3.83% | 425,000 | - | (425,000) | - |
| BAN | MPL of 2008 ISWM Recycling Center..... | 1/30/08 | 1/30/09 | 3.00% | - | 1,050,000 | - | 1,050,000 |
| BAN | MPL of 2008 ISWM Plans..... | 1/30/08 | 1/30/09 | 3.00% | - | 350,000 | - | 350,000 |
| BAN | MPL of 2008 Sewer Truck..... | 1/30/08 | 1/30/09 | 3.00% | - | 25,000 | - | 25,000 |
| BAN | MPL of 2008 Sewer Pumps & Panels..... | 1/30/08 | 1/30/09 | 3.00% | - | 20,000 | - | 20,000 |
| Total..... | | | | | <u>\$ 1,422,000</u> | <u>\$ 1,445,000</u> | <u>\$ (1,422,000)</u> | <u>\$ 1,445,000</u> |

Subsequent Events

On September 29, 2008, the Town issued BAN's in the amount of \$3,548,250. The BAN's accrue interest at a rate of 4.0% and mature on September 29, 2009. The BAN's were issued to temporarily finance landfill capping, equipment, school computer hardware and sewer pumps.

On January 30, 2009, the Town issued BAN's in the amount of \$9,953,915. The BAN's accrue interest at a rate of 1.50% and mature on January 29, 2010. The BAN's, in addition to \$19,000 of available funds, were issued to retire \$9,080,536 of BAN's outstanding at June 30, 2008 and issue new BAN's totaling \$892,379 for equipment, an upgrade to the high school security system, police cruisers, high school remodeling and a pump out boat.

NOTE 8 - LONG-TERM OBLIGATIONS

Chapter 44, Section 10, of the MGL authorizes indebtedness up to a limit of 2 ½% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". However, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2008, and the debt service requirements are as follows:

Bonds and Notes Payable – Governmental Funds

| Project | Interest Rate | Outstanding at June 30, 2007 | Issued | Redeemed | Outstanding at June 30, 2008 |
|---|------------------|------------------------------------|--------|----------------|------------------------------------|
| Land Acquisition..... | 7.74% | \$ 290,000 | \$ - | \$ (290,000) | \$ - |
| Sewer..... | 6.00% | 196,600 | - | (49,150) | 147,450 |
| MWPAT Pool 9 97-1038-1..... | 0.00% | 166,258 | - | (9,842) | 156,416 |
| MWPAT Title V 97-1038..... | 0.00% | 145,401 | - | (10,400) | 135,001 |
| MWPAT Pool 11 T5-97-1038-2..... | 0.00% | 190,000 | - | (10,000) | 180,000 |
| School Project Refunding..... | 4.74% | 174,000 | - | (174,000) | - |
| School Project Refunding..... | 4.84% | 566,000 | - | (201,000) | 365,000 |
| School Project Refunding..... | 4.90% | 37,000 | - | (14,000) | 23,000 |
| Building Construction - School Refunding..... | 4.92% | 98,000 | - | (36,000) | 62,000 |
| Land Acquisition..... | 4.28% | 6,000 | - | (6,000) | - |
| Town Hall Renovations..... | 4.28% | 18,000 | - | (18,000) | - |
| Computer Hardware..... | 4.27% | 7,000 | - | (7,000) | - |
| Storage Tanks..... | 4.28% | 8,000 | - | (8,000) | - |
| Library Remodeling..... | 4.28% | 23,000 | - | (23,000) | - |
| Tennis Courts..... | 4.73% | 10,000 | - | (2,000) | 8,000 |
| High School Roof..... | 5.02% | 10,000 | - | (10,000) | - |
| Hoxie Roof..... | 5.02% | 10,000 | - | (10,000) | - |
| Town Hall Repair..... | 5.02% | 860,000 | - | (96,000) | 764,000 |
| Coady Roof..... | 5.05% | 51,000 | - | (18,000) | 33,000 |
| School..... | 5.01% | 14,420,000 | - | (1,030,000) | 13,390,000 |
| Community Center..... | 3.55% | 3,950,000 | - | (258,000) | 3,692,000 |
| Land for Community Center..... | 3.47% | 268,000 | - | (20,000) | 248,000 |
| Police Remodeling..... | 2.97% | 42,000 | - | (6,000) | 36,000 |
| Fire Truck..... | 2.41% | 68,000 | - | (68,000) | - |
| Library Roof..... | 3.19% | 140,000 | - | (16,000) | 124,000 |
| Land Acquisition..... | 3.52% | 1,091,000 | - | (74,000) | 1,017,000 |
| Land Acquisition..... | 3.53% | 1,845,000 | - | (123,000) | 1,722,000 |
| Land Acquisition..... | 3.57% | 841,000 | - | (53,000) | 788,000 |
| Fire Rescue Vehicle..... | 2.40% | 64,000 | - | (34,000) | 30,000 |
| Police Station Roof..... | 2.50% | 31,000 | - | (11,000) | 20,000 |
| School Computers..... | 2.41% | 85,000 | - | (45,000) | 40,000 |
| DPW Packer Vehicle..... | 2.41% | 65,000 | - | (35,000) | 30,000 |
| Land Acquisition..... | 3.87% | 2,650,000 | - | (150,000) | 2,500,000 |
| Roads..... | 3.45% | 30,000 | - | (10,000) | 20,000 |
| School Plans..... | 3.85% | 330,000 | - | (20,000) | 310,000 |
| Municipal Purpose Loan..... | 4.25% | 5,547,000 | - | - | 5,547,000 |
| Total governmental funds..... | | \$ 34,333,259 | \$ - | \$ (2,945,392) | \$ 31,387,867 |

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------|---------------------|----------------------|
| 2009..... | \$ 3,065,392 | \$ 1,304,284 | \$ 4,369,676 |
| 2010..... | 2,572,393 | 1,177,939 | 3,750,332 |
| 2011..... | 2,499,392 | 1,076,355 | 3,575,747 |
| 2012..... | 2,314,242 | 979,698 | 3,293,940 |
| 2013..... | 2,184,242 | 889,666 | 3,073,908 |
| 2014..... | 2,184,301 | 795,804 | 2,980,105 |
| 2015..... | 2,174,444 | 701,228 | 2,875,672 |
| 2016..... | 2,169,444 | 606,148 | 2,775,592 |
| 2017..... | 1,939,444 | 515,611 | 2,455,055 |
| 2018..... | 1,939,444 | 431,718 | 2,371,162 |
| 2019..... | 1,929,444 | 346,287 | 2,275,731 |
| 2020..... | 1,923,817 | 260,264 | 2,184,081 |
| 2021..... | 1,923,617 | 174,267 | 2,097,884 |
| 2022..... | 793,417 | 89,731 | 883,148 |
| 2023..... | 598,417 | 62,303 | 660,720 |
| 2024..... | 363,417 | 43,475 | 406,892 |
| 2025..... | 354,000 | 29,347 | 383,347 |
| 2026..... | 194,000 | 15,173 | 209,173 |
| 2027..... | 140,000 | 8,287 | 148,287 |
| 2028..... | 125,000 | 2,655 | 127,655 |
| Total..... | \$ 31,387,867 | \$ 9,510,238 | \$ 40,898,105 |

Bonds and Notes Payable – Enterprise Funds

| Project | Interest Rate | Outstanding at June 30, 2007 | Issued | Redeemed | Outstanding at June 30, 2008 |
|---|---------------|------------------------------------|--------------|----------------|------------------------------------|
| Sewer..... | 4.28% | \$ 13,000 | \$ - | \$ (13,000) | \$ - |
| MWPAT Sewer 91-21..... | 0.00% | 498,641 | - | (73,441) | 425,200 |
| MWPAT Sewer 93-15..... | 3.60% | 73,799 | - | (7,522) | 66,277 |
| Landfill..... | 4.28% | 50,000 | - | (50,000) | - |
| Landfill Water Supply..... | 5.01% | 150,000 | - | (50,000) | 100,000 |
| Landfill Water Main..... | 5.05% | 55,000 | - | (7,000) | 48,000 |
| Landfill Road..... | 5.01% | 24,000 | - | (12,000) | 12,000 |
| Landfill Phase 3..... | 2.77% | 573,000 | - | (287,000) | 286,000 |
| Plans & Capping Landfill..... | 2.76% | 284,000 | - | (143,000) | 141,000 |
| Landfill Plans..... | 2.77% | 93,000 | - | (47,000) | 46,000 |
| Plans for Landfill Processing Center..... | 2.51% | 60,000 | - | (20,000) | 40,000 |
| Landfill Phase III..... | 2.51% | 840,000 | - | (280,000) | 560,000 |
| Landfill Phase II..... | 2.51% | 57,000 | - | (19,000) | 38,000 |
| Plans for Landfill Processing Center..... | 2.51% | 138,000 | - | (46,000) | 92,000 |
| Landfill Bailing Equipment..... | 2.51% | 180,000 | - | (60,000) | 120,000 |
| Landfill Liner..... | 3.77% | 2,700,000 | - | (300,000) | 2,400,000 |
| ISWM Compactor..... | 4.25% | - | 447,000 | - | 447,000 |
| ISWM Bulldozer..... | 4.25% | - | 300,000 | - | 300,000 |
| ISWM Scale..... | 4.25% | - | 250,000 | - | 250,000 |
| ISWM Landfill Phase 3 Stage 3..... | 4.25% | - | 425,000 | - | 425,000 |
| Total enterprise funds..... | | \$ 5,789,440 | \$ 1,422,000 | \$ (1,414,963) | \$ 5,796,477 |

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-------------------|---------------------|
| 2006..... | \$ 1,658,354 | \$ 185,368 | \$ 1,843,723 |
| 2007..... | 1,174,850 | 137,195 | 1,312,045 |
| 2008..... | 700,495 | 97,962 | 798,457 |
| 2009..... | 554,296 | 77,188 | 631,484 |
| 2010..... | 417,255 | 62,506 | 479,762 |
| 2011..... | 378,118 | 49,359 | 427,476 |
| 2012..... | 337,109 | 36,211 | 373,320 |
| 2013..... | 326,000 | 23,064 | 349,064 |
| 2014..... | 21,000 | 9,943 | 30,943 |
| 2015..... | 21,000 | 9,103 | 30,103 |
| 2016..... | 21,000 | 8,257 | 29,257 |
| 2017..... | 21,000 | 7,407 | 28,407 |
| 2018..... | 21,000 | 6,551 | 27,551 |
| 2019..... | 21,000 | 5,680 | 26,680 |
| 2020..... | 21,000 | 4,798 | 25,798 |
| 2021..... | 21,000 | 3,916 | 24,916 |
| 2022..... | 21,000 | 3,034 | 24,034 |
| 2023..... | 21,000 | 2,146 | 23,146 |
| 2024..... | 20,000 | 1,275 | 21,275 |
| 2025..... | 20,000 | 425 | 20,425 |
| Total..... | \$ 5,796,477 | \$ 731,385 | \$ 6,527,862 |

The Town receives subsidy assistance from the Massachusetts Water Pollution Abatement Trust (MWPAT). Principal and interest on the outstanding bonds for MWPAT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. During fiscal year 2008, the Town's subsidy totaled approximately \$50,000. Future subsidies total approximately \$274,000. The amount of MWPAT bonds outstanding at June 30, 2008, totaled \$963,000.

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, 2008, the Town had the following authorized and unissued debt:

| Purpose | Amount |
|---|----------------------|
| Elementary School..... | \$ 19,000,000 |
| Landfill Capping..... | 2,200,000 |
| Replace Komatsu Dozer..... | 600,000 |
| Generator OI & Appurtenances..... | 345,000 |
| Computer Hardware - Technology Plan..... | 227,250 |
| Sweeper..... | 185,000 |
| BHS Security System Upgrade..... | 150,000 |
| Dump Truck T-5..... | 125,000 |
| Dump Truck T-8..... | 125,000 |
| Catch Basin Cleaner..... | 125,000 |
| Replace Pumps & panels..... | 100,000 |
| Police Cruisers..... | 111,009 |
| Remodel BHS Greenhouse & Entrance Roof..... | 91,370 |
| Deputy Car C-142..... | 46,000 |
| Pump-out Boat..... | 10,000 |
| Total..... | \$ 23,440,629 |

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2008, the following changes occurred in long-term liabilities:

| | Balance June 30, 2007 | Increases | Decreases | Balance June 30, 2008 | Current Portion |
|----------------------------------|-----------------------------|---------------------|-----------------------|-----------------------------|---------------------|
| Governmental Activities: | | | | | |
| Bonds and notes payable..... | \$ 34,333,259 | \$ - | \$ (2,945,392) | \$ 31,387,867 | \$ 3,065,392 |
| Compensated absences..... | 1,050,082 | 755,295 | - | 1,805,377 | 180,538 |
| Total..... | \$ 35,383,341 | \$ 755,295 | \$ (2,945,392) | \$ 33,193,244 | \$ 3,245,930 |
| Business-type Activities: | | | | | |
| Bonds and notes payable..... | \$ 5,789,440 | \$ 1,422,000 | \$ (1,414,963) | \$ 5,796,477 | \$ 1,658,354 |
| Landfill closure..... | 1,835,191 | 889,440 | - | 2,724,631 | - |
| Compensated absences..... | 166,610 | 6,299 | - | 172,909 | 17,291 |
| Total..... | \$ 7,791,241 | \$ 2,317,739 | \$ (1,414,963) | \$ 8,694,017 | \$ 1,675,645 |

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

NOTE 9 – LANDFILL CLOSURE AND POSTCLOSURE CARE

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

The closure and postclosure care liability consist of the following at June 30, 2008:

| | |
|---|---------------------|
| <u>Closure:</u> | |
| Phase 2A/3A..... | \$ 1,502,486 |
| Phase 3, Stage 3 South Side..... | <u>608,635</u> |
| Sub-total (closure)..... | 2,111,121 |
| Postclosure care..... | <u>613,510</u> |
| Total closure and postclosure care liability..... | <u>\$ 2,724,631</u> |

The Phase 2A/3A landfill closure liability represents the cumulative amount reported based on the use of approximately 45% of the estimated capacity of the cell. The Phase 3, Stage 3 South Side landfill closure liability represents the cumulative amount reported based on the use of 100% capacity. The postclosure care liability represents the cumulative amount reported based on the use of 46% of the estimated capacity of the entire landfill.

Closure and postclosure care costs consist of the following at June 30, 2008:

| | |
|---|-------------------|
| <u>Closure:</u> | |
| Phase 2A/3A..... | \$ 584,275 |
| Phase 3, Stage 3 South Side..... | <u>208,635</u> |
| Sub-total (closure)..... | 792,910 |
| Postclosure care..... | <u>96,530</u> |
| Total closure and postclosure care costs..... | <u>\$ 889,440</u> |

These amounts are based on what it would cost to perform all closure and postclosure care in 2008. Based on current demographic information and engineering estimates of landfill consumption, the Town expects to close the landfill in approximately 2024. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The Town will recognize the remaining estimated cost of closure and postclosure care of approximately \$6,800,000 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, 2008, approximately \$1,961,000 of funds has been set aside for closure and postclosure care costs.

NOTE 10 - RISK FINANCING

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

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

A. Health Insurance

The estimated "Incurred But Not Reported (IBNR)" claims are based on actual subsequent activity and historical trends. The liability at June 30, 2008 totaled \$430,589. Changes in the reported liability since July 1, 2006, are as follows:

| | Balance at Beginning of Fiscal Year | Current Year Claims and Changes in Estimate | Claims Payments | Balance at Fiscal Year-end |
|-----------------------|---|--|--------------------|----------------------------------|
| Fiscal year 2007..... | \$ 482,907 | \$ 8,483,989 | \$ (8,387,582) | \$ 579,314 |
| Fiscal year 2008..... | 579,314 | 7,427,733 | (7,576,458) | 430,589 |

NOTE 11 - PENSION PLAN

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

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

Funding Policy – Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the Association at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Association its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll. The Town's contributions to the Association for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,888,019, \$1,801,969, and \$1,753,632, respectively, which equaled its required contribution for each fiscal year.

NOTE 12 - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$3,654,000 for the fiscal year ended June 30, 2008, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

NOTE 13 - COMMITMENTS

The Town is currently in the process of constructing the Bournedale Elementary School. Approximately \$10,200,000 has been spent on the project to date and approximately \$15,000,000 is required to complete the project.

The Town has also entered into, or is planning to enter into, contracts totaling approximately \$4,000,000 for landfill closure, equipment and various other governmental projects.

NOTE 14 - 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, 2008, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2008.

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2008, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 15 - PRIOR PERIOD ADJUSTMENTS

The following changes have been made to beginning net assets:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Sewer Enterprise Fund</u> |
|---|------------------------------------|-------------------------------------|----------------------------------|
| Net assets at June 30, 2007, as previously reported..... | \$ 58,743,123 | \$ 18,313,228 | \$ 4,964,358 |
| To record MSBA accounts receivable..... | 10,065,181 | - | - |
| To fully accrue unapportioned special assessments..... | <u>-</u> | <u>303,502</u> | <u>303,502</u> |
| Net assets at June 30, 2007, as restated..... | <u>\$ 68,808,304</u> | <u>\$ 18,616,730</u> | <u>\$ 5,267,860</u> |

NOTE 16 - PRIOR PERIOD RECLASSIFICATION

The beginning fund balances of the elementary school construction fund and nonmajor governmental funds have been restated from \$0 and \$4,654,431, respectively, to \$451,337 and \$4,203,094, respectively, to reflect the reclassification of the elementary school construction fund from a nonmajor governmental fund to a major fund.

NOTE 17 - IMPLEMENTATION OF GASB PRONOUNCEMENTS

The Town implemented the following GASB pronouncements during fiscal year 2008:

- Statement #48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The implementation of this Statement had no impact on the financial statements.
- Statement #50, *Pension Disclosures*. This Statement enhances pension disclosures in the notes to financial statements (see page 54) and required supplementary information (see page 60) by state and local government employers that provide pension benefits.

NOTE 18 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented during fiscal year 2009. The Town is currently evaluating the effect that this Statement will have on the basic financial statements.
- Statement #49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which is required to be implemented during fiscal year 2009. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement #51, *Accounting and Financial Reporting for Intangible Assets*, which is required to be implemented during fiscal year 2010. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement #52, *Land and Other Real Estate Held as Investments by Endowments*, which is required to be implemented during fiscal year 2009. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement #53, *Accounting and Financial Reporting for Derivative Instruments*, which is required to be implemented during fiscal year 2010. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

Required Supplementary Information

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | Prior Year Encumbrances and Continuing Appropriations | Original Budget | Supplemental Appropriations and Transfers | Final Budget |
|---|--|---------------------|---|---------------------|
| REVENUES | | | | |
| Real estate and personal property taxes..... | \$ - | \$ 31,242,870 | \$ - | \$ 31,242,870 |
| Motor vehicle and other excise taxes..... | - | 2,274,701 | - | 2,274,701 |
| Tax liens..... | - | - | - | - |
| Payments in lieu of taxes..... | - | 20,000 | - | 20,000 |
| Charges for services..... | - | 1,100,000 | - | 1,100,000 |
| Intergovernmental..... | - | 9,579,599 | - | 9,579,599 |
| Special assessments..... | - | - | - | - |
| Penalties and interest on taxes..... | - | 185,000 | - | 185,000 |
| Licenses and permits..... | - | 615,000 | - | 615,000 |
| Fines and forfeitures..... | - | 93,500 | - | 93,500 |
| Departmental and other..... | - | 210,000 | - | 210,000 |
| Investment income..... | - | 435,650 | - | 435,650 |
| TOTAL REVENUES..... | - | 45,756,320 | - | 45,756,320 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government..... | 240,383 | 2,522,605 | 167,759 | 2,930,747 |
| Public safety..... | 345,427 | 7,683,465 | 140,076 | 8,168,968 |
| Education..... | 51,851 | 20,810,067 | - | 20,861,918 |
| Public works..... | 27,165 | 1,865,345 | 204,275 | 2,096,785 |
| Health and human services..... | 4,608 | 713,297 | 47,825 | 765,730 |
| Culture and recreation..... | 134,606 | 715,938 | 3,150 | 853,694 |
| Pension benefits..... | - | 1,959,882 | 5,725 | 1,965,607 |
| Employee benefits..... | 7,456 | 8,246,961 | (225,775) | 8,028,642 |
| Property and liability insurance..... | - | 697,236 | 77,725 | 774,961 |
| State and county charges..... | - | 1,821,088 | - | 1,821,088 |
| Debt service: | | | | |
| Principal..... | - | 2,945,392 | - | 2,945,392 |
| Interest..... | - | 1,568,379 | 1,100 | 1,569,479 |
| TOTAL EXPENDITURES..... | 811,496 | 51,549,655 | 421,860 | 52,783,011 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | (811,496) | (5,793,335) | (421,860) | (7,026,691) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in..... | - | 4,958,167 | 110,000 | 5,068,167 |
| Premium from issuance of bonds and notes..... | - | - | - | - |
| Transfers out..... | - | (587,685) | (700,000) | (1,287,685) |
| TOTAL OTHER FINANCING SOURCES (USES).... | - | 4,370,482 | (590,000) | 3,780,482 |
| NET CHANGE IN FUND BALANCE..... | (811,496) | (1,422,853) | (1,011,860) | (3,246,209) |
| FUND BALANCE AT BEGINNING OF YEAR..... | 7,156,707 | 7,156,707 | 7,156,707 | 7,156,707 |
| FUND BALANCE AT END OF YEAR..... | \$ 6,345,211 | \$ 5,733,854 | \$ 6,144,847 | \$ 3,910,498 |

See notes to required supplementary information.

| Actual | Current Year Encumbrances and Continuing Appropriations | Actual and Encumbrances and Continuing Appropriations | Variance Positive/ (Negative) |
|---------------------|--|--|-------------------------------------|
| \$ 31,232,862 | \$ - | \$ 31,232,862 | \$ (10,008) |
| 2,346,780 | - | 2,346,780 | 72,079 |
| 14,069 | - | 14,069 | 14,069 |
| 9,338 | - | 9,338 | (10,662) |
| 1,100,380 | - | 1,100,380 | 380 |
| 9,676,702 | - | 9,676,702 | 97,103 |
| 3,145 | - | 3,145 | 3,145 |
| 260,231 | - | 260,231 | 75,231 |
| 496,267 | - | 496,267 | (118,733) |
| 131,893 | - | 131,893 | 38,393 |
| 261,142 | - | 261,142 | 51,142 |
| 466,159 | - | 466,159 | 30,509 |
| <u>45,998,968</u> | <u>-</u> | <u>45,998,968</u> | <u>242,648</u> |
| 2,166,321 | 529,808 | 2,696,129 | 234,618 |
| 7,112,613 | 576,132 | 7,688,745 | 480,223 |
| 20,821,186 | 27,855 | 20,849,041 | 12,877 |
| 2,028,661 | 51,745 | 2,080,406 | 16,379 |
| 748,788 | - | 748,788 | 16,942 |
| 743,831 | 80,369 | 824,200 | 29,494 |
| 1,952,084 | - | 1,952,084 | 13,523 |
| 6,003,251 | - | 6,003,251 | 2,025,391 |
| 774,957 | - | 774,957 | 4 |
| 1,791,335 | - | 1,791,335 | 29,753 |
| 2,945,392 | - | 2,945,392 | - |
| 1,523,920 | - | 1,523,920 | 45,559 |
| <u>48,612,339</u> | <u>1,265,909</u> | <u>49,878,248</u> | <u>2,904,763</u> |
| <u>(2,613,371)</u> | <u>(1,265,909)</u> | <u>(3,879,280)</u> | <u>3,147,411</u> |
| 5,226,331 | - | 5,226,331 | 158,164 |
| 30,149 | - | 30,149 | 30,149 |
| <u>(1,368,675)</u> | <u>-</u> | <u>(1,368,675)</u> | <u>(80,990)</u> |
| <u>3,887,805</u> | <u>-</u> | <u>3,887,805</u> | <u>107,323</u> |
| 1,274,434 | (1,265,909) | 8,525 | 3,254,734 |
| <u>7,156,707</u> | <u>7,156,707</u> | <u>7,156,707</u> | <u>-</u> |
| <u>\$ 8,431,141</u> | <u>\$ 5,890,798</u> | <u>\$ 7,165,232</u> | <u>\$ 3,254,734</u> |

PENSION PLAN SCHEDULES

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

SCHEDULES OF FUNDING PROGRESS (ASSOCIATION)

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Actuarial Accrued Liability (AAL) Entry Age (B) | Unfunded AAL (UAAL) (B-A) | Funded Ratio (A/B) | Covered Payroll (C) | UAAL as a Percentage of Covered Payroll ((B-A)/C) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 01/01/07 | \$ 517,396,087 | \$ 825,863,068 | \$ 308,466,981 | 62.6% | \$ 226,391,633 | 136.3% |
| 01/01/06 | 465,637,984 | 765,747,723 | 300,109,739 | 60.8% | 215,474,180 | 139.3% |
| 01/01/04 | 378,317,300 | 647,655,411 | 269,338,111 | 58.4% | 190,614,004 | 141.3% |
| 01/01/02 | 362,911,896 | 553,531,966 | 190,620,070 | 65.6% | 173,610,557 | 109.8% |
| 01/01/00 | 300,396,700 | 462,462,500 | 162,065,800 | 65.0% | 152,293,100 | 106.4% |
| 01/01/98 | 235,247,660 | 404,215,695 | 168,968,035 | 58.2% | 121,161,677 | 139.5% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS (ASSOCIATION)

| Year Ended December 31 | Annually Required Contributions (ARC) | Percentage of ARC Contributed (%) |
|---------------------------|--|---|
| 2002 | \$ 21,212,200 | 100 |
| 2003 | 23,987,345 | 100 |
| 2004 | 27,650,113 | 100 |
| 2005 | 30,224,666 | 100 |
| 2006 | 32,038,146 | 100 |
| 2007 | 34,360,912 | 100 |

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

TOWN SHARE OF ASSOCIATION ARC

| Fiscal Year Ended June 30 | ARC | Percentage of ARC Contributed (%) | Town ARC as a Percentage of Association ARC (%) |
|---------------------------------|--------------|---|---|
| 2003 | \$ 1,198,085 | 100 | 5.6% |
| 2004 | 1,377,789 | 100 | 5.7% |
| 2005 | 1,597,572 | 100 | 5.8% |
| 2006 | 1,753,632 | 100 | 5.8% |
| 2007 | 1,801,969 | 100 | 5.6% |
| 2008 | 1,888,019 | 100 | 5.5% |

NOTE A - BUDGETARY - GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2008, is presented below:

| | <u>Revenues</u> | <u>Expenditures</u> |
|--|----------------------|----------------------|
| Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual..... | \$ 45,998,968 | \$ 49,878,248 |
| <u>Adjustments</u> | | |
| Net change in recording 60-day receipts..... | 82,956 | - |
| Net change in recording tax refunds payable..... | 122,819 | - |
| To record activity for MTRS on-behalf payments..... | 3,654,177 | 3,654,177 |
| Net change in recording short-term interest accrual..... | - | (134,134) |
| To account for encumbrances and continuing appropriations..... | - | (1,265,909) |
| GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances..... | <u>\$ 49,858,920</u> | <u>\$ 52,132,382</u> |

NOTE B - PENSION PLAN

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

| | |
|--------------------------------|--|
| Valuation date: | January 1, 2007 |
| Actuarial cost method: | Entry age normal cost |
| Amortization method: | Increasing payments 4.50% per year |
| Remaining amortization period: | 1 year from July 1, 2007 for 1992 Early Retirement Incentive, 21 years from July 1, 2007 for 2002 and 2003 Early Retirement Incentives and remaining unfunded liability. |
| Asset valuation method: | 5-year smoothing of investment returns greater (less) than expected |
| <u>Actuarial assumptions:</u> | |
| Investment rate of return: | 8.25% |
| Projected salary increases: | 5.00% |
| Cost of living adjustments: | 3.00% of first \$12,000 of retirement income |