

TOWN OF BOURNE, MASSACHUSETTS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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Independent Auditors' Report



Certified Public Accountants

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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Bourne, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bourne, Massachusetts, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Bourne, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bourne, Massachusetts, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2013, on our consideration of the Town of Bourne, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 13) and general fund and community preservation fund budgetary comparisons and certain pension and other postemployment benefits information (located on pages 59 through 67) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sullivan, Roy & Company, LLC

April 8, 2013

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, 2012.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$97,478,800 (net assets). Of this amount, \$8,279,074 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased \$845,798.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$25,617,341, an increase of \$3,192,395 in comparison with the prior year. Approximately \$10,487,000 represents unassigned fund balance.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$10,872,935, or 18.8 percent of total general fund expenditures and transfers out.
- The Town's total bonded debt increased by \$2,514,962 during the fiscal year, with new debt issuances totaling \$5,963,500.

Overview of the Basic Financial Statements

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

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

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

Government-wide financial statements

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

The **statement of net 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, community development and debt service (interest). Business-type activities include the Town's sewer and landfill operations.

The government-wide financial statements can be found on pages 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 11 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general and community preservation (special revenue) 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 18-21 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 22-24 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 25-26 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 27-58 of this report.

Required supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparisons for the general fund and community preservation fund, and certain pension and other post employment benefits information, which can be found on pages 59-67.

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 \$97,478,800 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2012	2011	2012	2011	2012	2011
Assets						
Current assets.....	\$ 36,461,742	\$ 35,612,725	\$ 11,972,328	\$ 7,862,948	\$ 48,434,070	\$ 43,475,673
Noncurrent assets (excluding capital assets).....	805,857	805,497	3,457,420	4,329,460	4,263,277	5,134,957
Capital assets (net).....	91,509,251	93,317,028	14,843,035	13,189,681	106,352,286	106,506,709
Total assets.....	128,776,850	129,735,250	30,272,783	25,382,089	159,049,633	155,117,339
Liabilities						
Current liabilities (excluding debt).....	5,714,729	5,152,326	625,468	767,721	6,340,197	5,920,047
Noncurrent liabilities (excluding debt).....	14,240,047	10,609,114	5,540,904	4,928,857	19,780,951	15,537,971
Current debt.....	2,771,497	4,884,242	1,096,255	1,014,296	3,867,752	5,898,538
Noncurrent debt.....	22,081,706	22,989,703	9,500,227	6,446,482	31,581,933	29,436,185
Total liabilities.....	44,807,979	43,635,385	16,762,854	13,157,356	61,570,833	56,792,741
Net Assets						
Invested in capital assets (net of related debt).....	68,198,525	69,014,550	8,386,478	9,786,029	76,585,003	78,800,579
Restricted.....	10,017,276	9,206,480	2,597,447	2,046,880	12,614,723	11,253,360
Unrestricted.....	5,753,070	7,878,835	2,526,004	391,824	8,279,074	8,270,659
Total net assets.....	\$ 83,968,871	\$ 86,099,865	\$ 13,509,929	\$ 12,224,733	\$ 97,478,800	\$ 98,324,598

The largest portion of the Town's net assets (78.6%) 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 (12.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (8.5% or \$8,279,074) may be used to meet the Town's ongoing obligations to citizens and creditors. Of this amount, \$5,753,070 may be used to support governmental activities and \$2,526,004 may be used to support business-type activities.

Changes in Net Assets

For the fiscal year ended June 30, 2012, the Town's total net assets decreased by \$845,798, compared to a decrease of \$2,024,410 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2012	2011	2012	2011	2012	2011
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 4,913,194	\$ 4,575,808	\$ 12,268,189	\$ 10,588,837	\$ 17,181,383	\$ 15,164,645
Operating grants and contributions.....	15,149,754	14,513,923	104,376	40,226	15,254,130	14,554,149
Capital grants and contributions.....	1,030,154	3,929,434	-	-	1,030,154	3,929,434
<i>General Revenues:</i>						
Real estate and personal property taxes.....	36,674,535	35,754,412	-	-	36,674,535	35,754,412
Motor vehicle and other excise taxes.....	2,257,840	2,199,923	-	-	2,257,840	2,199,923
Penalties and interest on taxes.....	407,982	404,540	-	-	407,982	404,540
Payments in lieu of taxes.....	13,948	13,152	-	-	13,948	13,152
Community preservation surcharges.....	1,077,282	1,046,611	-	-	1,077,282	1,046,611
Grants and contributions not restricted to specific programs.....	1,750,890	1,733,259	-	-	1,750,890	1,733,259
Unrestricted investment income.....	100,920	72,994	-	-	100,920	72,994
Premium from issuance of bonds and notes.....	-	56,863	-	-	-	56,863
Premium from issuance of refunding bonds.....	-	22,432	-	-	-	22,432
Gain on sale of capital assets.....	1,105	1,100	-	-	1,105	1,100
Other.....	99,452	22,765	-	-	99,452	22,765
Total revenues.....	63,477,056	64,347,216	12,372,565	10,629,063	75,849,621	74,976,279
Expenses						
General government.....	4,406,818	4,290,891	-	-	4,406,818	4,290,891
Public safety.....	12,577,889	12,460,640	-	-	12,577,889	12,460,640
Education.....	43,509,828	41,313,134	-	-	43,509,828	41,313,134
Public works.....	3,635,219	3,801,776	-	-	3,635,219	3,801,776
Health and human services.....	1,485,056	1,552,253	-	-	1,485,056	1,552,253
Culture and recreation.....	1,664,123	1,561,473	-	-	1,664,123	1,561,473
Community development.....	88,726	-	-	-	88,726	-
Debt service - interest.....	797,411	1,461,285	-	-	797,411	1,461,285
Sewer.....	-	-	842,674	840,974	842,674	840,974
Landfill.....	-	-	7,687,675	9,718,263	7,687,675	9,718,263
Total expenses.....	68,165,070	66,441,452	8,530,349	10,559,237	76,695,419	77,000,689
Change in net assets before transfers.....	(4,688,014)	(2,094,236)	3,842,216	69,826	(845,798)	(2,024,410)
Transfers, net.....	2,557,020	2,440,917	(2,557,020)	(2,440,917)	-	-
Change in net assets.....	(2,130,994)	346,681	1,285,196	(2,371,091)	(845,798)	(2,024,410)
Net assets - beginning of year.....	86,099,865	85,753,184	12,224,733	14,595,824	98,324,598	100,349,008
Net assets - end of year.....	\$ 83,968,871	\$ 86,099,865	\$ 13,509,929	\$ 12,224,733	\$ 97,478,800	\$ 98,324,598

Governmental activities decreased the Town's net assets by \$2,130,994. In the prior year, governmental activities increased the Town's net assets by \$346,681. The key element of this change is a decrease in capital grants and contributions of approximately \$2,900,000, primarily as a result of fiscal year 2011 school construction reimbursements received from the Massachusetts School Building Authority for the completed elementary school project.

Business-type activities increased the Town's net assets by \$1,285,196. In the prior year, business-type activities decreased the Town's net assets by \$2,371,091. The key elements of this change are:

- Increase in revenues of approximately \$1,700,000, primarily resulting from an increase in waste volumes received for municipal solid waste
- Decrease in depreciation and closure costs of approximately \$1,800,000

Fund Financial Statement Analysis

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

Governmental funds

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

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$25,617,341, an increase of \$3,192,395 in comparison with the prior year. Approximately \$10,487,000 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$35,341)
- Restricted (\$10,754,736)
- Committed (\$4,193,748)
- Assigned (\$146,464)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the general fund's unassigned fund balance totaled \$10,872,935, while total fund balance was \$15,270,258. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 18.8% of total general fund expenditures and transfers out, while total fund balance represents 26.4% of that same amount.

The balance of the Town's general fund increased by \$2,124,323 during fiscal year 2012. Although the Town recognized an approximate \$5,574,000 budgetary surplus (excluding encumbrances and continuing appropriations), approximately \$3,403,000 of reserves was utilized for spending during the year.

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

The fund balance of the community preservation fund (special revenue) increased by \$169,877 during the current fiscal year. The fund's receipts included community preservation surcharges (\$1,091,120), intergovernmental revenue (\$311,124), investment income (\$6,409), penalties and interest on taxes (\$8,956), tax liens revenue (\$5,945) and other revenue (\$104). Expenditures totaling approximately \$520,000 were incurred during the year and a transfer of \$733,460 was made to the general fund to cover community preservation related debt service.

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 \$874,528 and \$1,651,476, respectively. The sewer and landfill enterprise funds had a change in net assets for the year of (\$82,070) and \$1,367,266, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original general fund budget of \$53,055,708 was increased by \$1,021,793 (1.9%) during the fiscal year. The following table summarizes the increase:

Purpose of Increase	Amount	Funding Source
Bourndale herring run.....	\$ 150,000	Transfer from stabilization fund
Reserve for accrued compensated absences.....	100,000	Unassigned fund balance
Dredging.....	90,000	Transfer from waterways special revenue fund
Pump out boat.....	70,200	Transfer from waterways special revenue fund
Buzzards Bay fire station repairs.....	60,000	Transfer from capital projects fund
Estuaries project.....	57,450	Unassigned fund balance
Fuel & gasoline expenses.....	55,000	Unassigned fund balance
Various.....	44,306	Unassigned fund balance
Cheryl Lane road project.....	35,000	Unassigned fund balance
Fire department air compressor.....	32,500	Transfer from capital projects fund
Fire department portable radios.....	30,000	Unassigned fund balance
Pocasset fire station repairs.....	30,000	Transfer from capital projects fund
Wage and classification study.....	25,000	Unassigned fund balance
Pump out system.....	25,000	Transfer from waterways special revenue fund
Public works electrical service upgrade.....	24,987	Transfer from capital projects fund
Board of health vehicle.....	21,500	Unassigned fund balance
Lifeguard expenses.....	20,000	Unassigned fund balance
Library heating system.....	20,000	Unassigned fund balance
Veterans building renovations.....	20,000	Unassigned fund balance
Police computer and laptops.....	20,000	Transfer from capital projects fund
Fire department safety equipment.....	20,000	Unassigned fund balance
Fire department expenses.....	17,500	Unassigned fund balance
Lawn mowing equipment.....	18,166	Unassigned fund balance
Energy coordinator.....	15,000	Unassigned fund balance
Lifeguard wages.....	10,000	Unassigned fund balance
Public works one ton dump truck.....	8,171	Transfer from capital projects fund
Unpaid bills.....	2,013	Transfer from stabilization fund
Total increase.....	\$ <u>1,021,793</u>	

During the year, revenues and other financing sources exceeded budgetary estimates, while expenditures and encumbrances and continuing appropriations were less than budgeted appropriations, resulting in a positive budget to actual variance of approximately \$3,604,000.

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 \$106,352,286 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment and infrastructure. The total decrease in the investment in capital assets for the current fiscal year totaled 0.1% (a 1.7% decrease for governmental activities and a 1.6% increase for business-type activities).

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

- Landfill liner (\$2,711,383)
- Road improvements (\$689,361)
- Building improvements (\$401,517)
- Landfill equipment (\$360,900)
- Dredging (\$223,209)
- Technology upgrades (\$201,457)
- DPW truck purchase (\$149,582)

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>	
	2012	2011	2012	2011	2012	2011
Land.....	\$ 26,704,645	\$ 26,704,645	\$ 4,921,041	\$ 2,209,658	\$ 31,625,686	\$ 28,914,303
Construction in progress.....	75,050	49,624	-	-	75,050	49,624
Land Improvements.....	2,306,687	2,222,160	-	1,086,127	2,306,687	3,308,287
Buildings and improvements.....	55,187,670	57,195,290	-	4,381,603	55,187,670	61,576,893
Machinery and equipment.....	2,977,249	3,487,049	6,260,377	1,665,267	9,237,626	5,152,316
Infrastructure.....	4,257,950	3,658,260	3,661,617	3,847,026	7,919,567	7,505,286
Total capital assets.....	\$ 91,509,251	\$ 93,317,028	\$ 14,843,035	\$ 13,189,681	\$ 106,352,286	\$ 106,506,709

Additional information on the Town's capital assets can be found in Note 5 on pages 41-43 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$35,399,685, 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>	
	2012	2011	2012	2011	2012	2011
General obligation bonds.....	\$ 24,502,755	\$ 25,043,255	\$ 10,455,227	\$ 7,218,000	\$ 34,957,982	\$ 32,261,255
MWPAT notes.....	350,448	380,690	91,255	242,778	441,703	623,468
Total bonds and notes.....	\$ 24,853,203	\$ 25,423,945	\$ 10,546,482	\$ 7,460,778	\$ 35,399,685	\$ 32,884,723

The Town has an AA rating from Standard & Poor's for its most recent issuance of debt on December 15, 2012.

Additional information on the Town's long-term debt can be found in Note 9 on pages 46-50 of this report.

Requests for Information

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

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 16,456,430	\$ 7,610,157	\$ 24,066,587
Restricted cash and cash equivalents.....	12,307,844	2,605,925	14,913,769
Investments.....	1,275,222	-	1,275,222
Restricted investments.....	1,561,281	-	1,561,281
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	1,581,359	-	1,581,359
Tax liens.....	337,604	64,717	402,321
Motor vehicle and other excise taxes.....	360,162	-	360,162
Community preservation surcharges.....	49,602	-	49,602
User charges.....	-	1,638,818	1,638,818
Special assessments.....	66,196	4,371	70,567
Departmental and other.....	574,633	-	574,633
Intergovernmental.....	498,709	48,340	547,049
Working capital deposit.....	1,392,700	-	1,392,700
Total current assets.....	36,461,742	11,972,328	48,434,070
Noncurrent assets:			
Restricted cash and cash equivalents.....	-	3,334,890	3,334,890
Receivables, net of allowance for uncollectible amounts:			
Real estate tax deferrals.....	77,642	-	77,642
Special assessments.....	167,533	98,263	265,796
Intergovernmental.....	-	24,267	24,267
Tax foreclosures.....	560,682	-	560,682
Capital assets not being depreciated.....	26,779,695	4,921,041	31,700,736
Capital assets, net of accumulated depreciation.....	64,729,556	9,921,994	74,651,550
Total noncurrent assets.....	92,315,108	18,300,455	110,615,563
Total assets.....	128,776,850	30,272,783	159,049,633
LIABILITIES			
Current liabilities:			
Warrants payable.....	2,496,970	478,488	2,975,458
Accrued payroll.....	1,964,788	38,278	2,003,066
Tax refunds payable.....	299,502	-	299,502
Other liabilities.....	43,515	-	43,515
Accrued interest.....	319,863	89,533	409,396
Accrued health claims payable.....	408,393	-	408,393
Compensated absences.....	181,698	19,169	200,867
Short-term notes payable.....	-	50,000	50,000
Long-term bonds and notes payable.....	2,771,497	1,046,255	3,817,752
Total current liabilities.....	8,486,226	1,721,723	10,207,949
Noncurrent liabilities:			
Landfill closure.....	-	4,563,577	4,563,577
Compensated absences.....	1,635,279	172,518	1,807,797
Net OPEB obligation.....	12,604,768	804,809	13,409,577
Long-term bonds and notes payable.....	22,081,706	9,500,227	31,581,933
Total noncurrent liabilities.....	36,321,753	15,041,131	51,362,884
Total liabilities.....	44,807,979	16,762,854	61,570,833
NET ASSETS			
Invested in capital assets, net of related debt.....	68,198,525	8,386,478	76,585,003
Restricted for:			
Capital purposes.....	-	2,597,447	2,597,447
Community preservation.....	4,718,646	-	4,718,646
Affordable housing.....	143,478	-	143,478
Debt service.....	57,111	-	57,111
Permanent funds:			
Expendable.....	159,545	-	159,545
Nonexpendable.....	35,341	-	35,341
Other specific purposes.....	4,903,155	-	4,903,155
Unrestricted.....	5,753,070	2,526,004	8,279,074
Total net assets.....	\$ 83,968,871	\$ 13,509,929	\$ 97,478,800

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense)/ Revenue	
Primary government:						
Governmental activities:						
General government.....	\$ 4,406,818	\$ 440,802	\$ 86,567	\$ -	\$ (3,879,449)	
Public safety.....	12,577,889	3,573,176	125,021	-	(8,879,692)	
Education.....	43,509,828	734,871	14,313,146	-	(28,461,811)	
Public works.....	3,635,219	13,186	130,234	719,030	(2,772,769)	
Health and human services.....	1,485,056	78,061	205,281	-	(1,201,714)	
Culture and recreation.....	1,664,123	73,098	31,991	311,124	(1,247,910)	
Community development.....	88,726	-	120,317	-	31,591	
Debt service - interest.....	797,411	-	137,197	-	(660,214)	
Total governmental activities....	68,165,070	4,913,194	15,149,754	1,030,154	(47,071,968)	
Business-type activities:						
Sewer.....	842,674	889,177	2,170	-	48,673	
Landfill.....	7,687,675	11,379,012	102,206	-	3,793,543	
Total business-type activities....	8,530,349	12,268,189	104,376	-	3,842,216	
Total primary government.....	\$ 76,695,419	\$ 17,181,383	\$ 15,254,130	\$ 1,030,154	\$ (43,229,752)	

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense)/revenue (from previous page)....	\$ (47,071,968)	\$ 3,842,216	\$ (43,229,752)
<i>General revenues:</i>			
Real estate and personal property taxes.....	36,674,535	-	36,674,535
Motor vehicle and other excise taxes.....	2,257,840	-	2,257,840
Penalties and interest on taxes.....	407,982	-	407,982
Payments in lieu of taxes.....	13,948	-	13,948
Community preservation surcharges.....	1,077,282	-	1,077,282
Grants and contributions not restricted to specific programs.....	1,750,890	-	1,750,890
Unrestricted investment income.....	100,920	-	100,920
Gain on sale of capital assets.....	1,105	-	1,105
Other.....	99,452	-	99,452
<i>Transfers, net</i>	2,557,020	(2,557,020)	-
Total general revenues and transfers.....	44,940,974	(2,557,020)	42,383,954
Change in net assets.....	(2,130,994)	1,285,196	(845,798)
Net assets - beginning of year.....	86,099,865	12,224,733	98,324,598
Net assets - end of year.....	\$ 83,968,871	\$ 13,509,929	\$ 97,478,800

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2012

ASSETS	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 16,456,430	\$ -	\$ -	\$ 16,456,430
Investments.....	1,275,222	-	-	1,275,222
Receivables, net of allowance for uncollectible amounts:				
Real estate and personal property taxes.....	1,581,359	-	-	1,581,359
Real estate tax deferrals.....	77,642	-	-	77,642
Tax liens.....	330,991	6,612	-	337,603
Motor vehicle and other excise taxes.....	360,162	-	-	360,162
Community preservation surcharges.....	-	49,602	-	49,602
Special assessments.....	59,465	-	174,264	233,729
Departmental and other.....	-	-	574,633	574,633
Intergovernmental.....	108,739	-	389,970	498,709
Tax foreclosures.....	560,682	-	-	560,682
Restricted assets:				
Cash and cash equivalents.....	57,111	4,670,597	5,811,826	10,539,534
Investments.....	-	-	124,356	124,356
TOTAL ASSETS.....	\$ 20,867,803	\$ 4,726,811	\$ 7,075,049	\$ 32,669,663
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 620,633	\$ 8,165	\$ 590,387	\$ 1,219,185
Accrued payroll.....	1,913,674	-	51,114	1,964,788
Tax refunds payable.....	299,502	-	-	299,502
Other liabilities.....	43,515	-	-	43,515
Deferred revenue.....	2,713,424	56,214	748,897	3,518,535
Accrued short-term interest.....	6,797	-	-	6,797
TOTAL LIABILITIES.....	5,597,545	64,379	1,390,398	7,052,322
FUND BALANCES:				
Nonspendable.....	-	-	35,341	35,341
Restricted.....	57,111	4,662,432	6,035,193	10,754,736
Committed.....	4,193,748	-	-	4,193,748
Assigned.....	146,464	-	-	146,464
Unassigned.....	10,872,935	-	(385,883)	10,487,052
TOTAL FUND BALANCES.....	15,270,258	4,662,432	5,684,651	25,617,341
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 20,867,803	\$ 4,726,811	\$ 7,075,049	\$ 32,669,663

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Real estate and personal property taxes.....	\$ 36,992,701	\$ -	\$ -	\$ 36,992,701
Motor vehicle and other excise taxes.....	2,276,771	-	-	2,276,771
Tax liens.....	207,719	5,945	-	213,664
Payments in lieu of taxes.....	13,948	-	-	13,948
Community preservation surcharges.....	-	1,091,120	-	1,091,120
Charges for services.....	-	-	2,688,973	2,688,973
Intergovernmental.....	12,701,134	311,124	4,465,300	17,477,558
Special assessments.....	9,474	-	-	9,474
Penalties and interest on taxes.....	399,026	8,956	-	407,982
Licenses and permits.....	570,818	-	-	570,818
Fines and forfeitures.....	128,945	-	-	128,945
Departmental and other.....	1,604,186	104	86,499	1,690,789
Contributions.....	-	-	190,809	190,809
Investment income.....	100,941	6,409	32,864	140,214
TOTAL REVENUES.....	55,005,663	1,423,658	7,464,445	63,893,766
EXPENDITURES				
Current:				
General government.....	2,731,816	38,554	244,663	3,015,033
Public safety.....	7,792,355	-	951,070	8,743,425
Education.....	21,988,989	-	4,572,938	26,561,927
Public works.....	2,102,137	-	860,733	2,962,870
Health and human services.....	919,536	59,290	39,581	1,018,407
Culture and recreation.....	651,713	422,477	96,531	1,170,721
Community development.....	-	-	88,726	88,726
Pension benefits.....	8,057,599	-	-	8,057,599
Employee benefits.....	6,815,213	-	-	6,815,213
Property and liability insurance.....	787,715	-	-	787,715
State and county charges.....	2,812,142	-	-	2,812,142
Debt service:				
Principal.....	2,434,242	-	-	2,434,242
Interest.....	792,173	-	-	792,173
TOTAL EXPENDITURES.....	57,885,630	520,321	6,854,242	65,260,193
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(2,879,967)	903,337	610,203	(1,366,427)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	4,888,398	-	22,410	4,910,808
Proceeds of bonds and notes.....	-	-	1,863,500	1,863,500
Premium from issuance of bonds and notes.....	137,197	-	-	137,197
Sale of capital assets.....	1,105	-	-	1,105
Transfers out.....	(22,410)	(733,460)	(1,597,918)	(2,353,788)
TOTAL OTHER FINANCING SOURCES (USES)....	5,004,290	(733,460)	287,992	4,558,822
NET CHANGE IN FUND BALANCES.....	2,124,323	169,877	898,195	3,192,395
FUND BALANCES AT BEGINNING OF YEAR.....	13,145,935	4,492,555	4,786,456	22,424,946
FUND BALANCES AT END OF YEAR.....	\$ 15,270,258	\$ 4,662,432	\$ 5,684,651	\$ 25,617,341

See notes to basic financial statements.

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

JUNE 30, 2012

Total governmental fund balances (page 18).....	\$ 25,617,341
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....	91,509,251
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....	3,518,535
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.....	(313,066)
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.....	(24,853,203)
Compensated absences.....	(1,816,977)
Net OPEB obligation.....	(12,604,768)
An internal service fund is used by management to account for health insurance activities. The assets and liabilities of the internal service fund is reported as governmental activities in the statement of net assets.....	<u>2,911,758</u>
Net assets of governmental activities (page 15).....	<u>\$ 83,968,871</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, 2012

Net change in fund balances - total governmental funds (page 19)..... \$ 3,192,395

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.....	2,021,798
Depreciation.....	(3,823,774)

In the statement of activities, the loss on the disposal of capital assets is reported, whereas in the governmental funds the disposal is not reported as financial resources. As a result, the change in net assets differs from the change in fund balance by the net book value of the capital assets disposed..... (5,801)

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..... (555,013)

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. These amounts represent the related activity of the current period.

Bond proceeds.....	(1,863,500)
Bond maturities.....	2,434,242

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..... (5,238)

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. These amounts represent the net changes:

Compensated absences.....	90,863
Net OPEB obligation.....	(3,712,710)

An internal service fund is used by management to account for health insurance activities. The net activity of the internal service fund is reported with governmental activities..... 95,744

Changes in net assets of governmental activities (page 17).....	\$ (2,130,994)
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See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF FUND NET ASSETS**

JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Funds</u>
ASSETS	<u>Sewer</u>	<u>Landfill</u>	<u>Total</u>	
Current assets:				
Cash and cash equivalents.....	\$ 816,561	\$ 6,793,596	\$ 7,610,157	\$ -
Restricted cash and cash equivalents.....	8,478	2,597,447	2,605,925	1,768,310
Restricted investments.....	-	-	-	1,436,925
Receivables, net of allowance for uncollectible amounts:				
User charges.....	117,167	1,521,651	1,638,818	-
Utility liens.....	64,717	-	64,717	-
Special assessments.....	4,371	-	4,371	-
Intergovernmental.....	48,340	-	48,340	-
Working capital deposit.....	-	-	-	1,392,700
Total current assets.....	<u>1,059,634</u>	<u>10,912,694</u>	<u>11,972,328</u>	<u>4,597,935</u>
Noncurrent assets:				
Restricted cash and cash equivalents.....	-	3,334,890	3,334,890	-
Receivables, net of allowance for uncollectible amounts:				
Special assessments.....	98,263	-	98,263	-
Intergovernmental.....	24,267	-	24,267	-
Capital assets not being depreciated.....	-	4,921,041	4,921,041	-
Capital assets, net of accumulated depreciation.....	<u>3,736,350</u>	<u>6,185,644</u>	<u>9,921,994</u>	<u>-</u>
Total noncurrent assets.....	<u>3,858,880</u>	<u>14,441,575</u>	<u>18,300,455</u>	<u>-</u>
Total assets.....	<u>4,918,514</u>	<u>25,354,269</u>	<u>30,272,783</u>	<u>4,597,935</u>
LIABILITIES				
Current liabilities:				
Warrants payable.....	189,251	289,237	478,488	1,277,784
Accrued payroll.....	7,694	30,584	38,278	-
Accrued interest.....	364	89,169	89,533	-
Accrued health claims payable.....	-	-	-	408,393
Compensated absences.....	2,880	16,289	19,169	-
Short-term notes payable.....	-	50,000	50,000	-
Long-term bonds and notes payable.....	<u>129,255</u>	<u>917,000</u>	<u>1,046,255</u>	<u>-</u>
Total current liabilities.....	<u>329,444</u>	<u>1,392,279</u>	<u>1,721,723</u>	<u>1,686,177</u>
Noncurrent liabilities:				
Landfill closure and postclosure care.....	-	4,563,577	4,563,577	-
Compensated absences.....	25,915	146,603	172,518	-
Net OPEB obligation.....	73,054	731,755	804,809	-
Long-term bonds and notes payable.....	<u>87,227</u>	<u>9,413,000</u>	<u>9,500,227</u>	<u>-</u>
Total noncurrent liabilities.....	<u>186,196</u>	<u>14,854,935</u>	<u>15,041,131</u>	<u>-</u>
Total liabilities.....	<u>515,640</u>	<u>16,247,214</u>	<u>16,762,854</u>	<u>1,686,177</u>
FUND NET ASSETS				
Invested in capital assets, net of related debt.....	3,528,346	4,858,132	8,386,478	-
Restricted for capital.....	-	2,597,447	2,597,447	-
Unrestricted.....	<u>874,528</u>	<u>1,651,476</u>	<u>2,526,004</u>	<u>2,911,758</u>
Total net assets.....	<u>\$ 4,402,874</u>	<u>\$ 9,107,055</u>	<u>\$ 13,509,929</u>	<u>\$ 2,911,758</u>

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, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Landfill	Total	
OPERATING REVENUES				
Charges for services.....	\$ 868,925	\$ 11,379,012	\$ 12,247,937	\$ -
Penalties and interest.....	20,251	-	20,251	-
Employer contributions.....	-	-	-	6,805,615
Employee contributions.....	-	-	-	2,140,569
Other.....	-	-	-	81,210
TOTAL OPERATING REVENUES.....	889,176	11,379,012	12,268,188	9,027,394
OPERATING EXPENSES				
Cost of service and administration.....	418,445	5,571,677	5,990,122	-
Town of Wareham assessment.....	188,478	-	188,478	-
Repairs and maintenance.....	36,626	129,541	166,167	-
Depreciation.....	195,611	1,248,139	1,443,750	-
Closure costs.....	-	513,444	513,444	-
Employee benefits.....	-	-	-	9,357,975
TOTAL OPERATING EXPENSES.....	839,160	7,462,801	8,301,961	9,357,975
OPERATING INCOME (LOSS).....	50,016	3,916,211	3,966,227	(330,581)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental.....	1,127	-	1,127	-
Investment income.....	1,043	27,873	28,916	426,325
Premium from issuance of bonds and notes.....	-	74,334	74,334	-
Interest expense.....	(3,514)	(224,874)	(228,388)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET....	(1,344)	(122,667)	(124,011)	426,325
INCOME (LOSS) BEFORE TRANSFERS.....	48,672	3,793,544	3,842,216	95,744
TRANSFERS				
Transfers in.....	-	21,600	21,600	-
Transfers out.....	(130,742)	(2,447,878)	(2,578,620)	-
TOTAL TRANSFERS.....	(130,742)	(2,426,278)	(2,557,020)	-
CHANGE IN FUND NET ASSETS.....	(82,070)	1,367,266	1,285,196	95,744
FUND NET ASSETS AT BEGINNING OF YEAR.....	4,484,944	7,739,789	12,224,733	2,816,014
FUND NET ASSETS AT END OF YEAR.....	\$ 4,402,874	\$ 9,107,055	\$ 13,509,929	\$ 2,911,758

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Landfill	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users.....	\$ 962,776	\$ 11,270,072	\$ 12,232,848	\$ 2,243,579
Receipts from interfund services provided.....	-	-	-	6,805,615
Payments to vendors.....	(479,516)	(4,390,051)	(4,869,567)	-
Payments to employees.....	(127,966)	(1,396,654)	(1,524,620)	-
Payments for employee benefits.....	-	-	-	(9,721,646)
NET CASH FROM OPERATING ACTIVITIES.....	355,294	5,483,367	5,838,661	(672,452)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in.....	-	21,600	21,600	-
Transfers out.....	(130,742)	(2,447,878)	(2,578,620)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(130,742)	(2,426,278)	(2,557,020)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the issuance of bonds and notes.....	-	4,150,000	4,150,000	-
Premium from issuance of bonds and notes.....	-	74,334	74,334	-
Acquisition and construction of capital assets.....	(24,821)	(3,072,283)	(3,097,104)	-
Principal payments on bonds and notes.....	(79,956)	(886,000)	(965,956)	-
Interest expense.....	(2,621)	(218,870)	(221,491)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(107,398)	47,181	(60,217)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Sales/(purchases) of investments.....	-	-	-	277,445
Investment income.....	1,043	27,873	28,916	426,325
NET CASH FROM INVESTING ACTIVITIES.....	1,043	27,873	28,916	703,770
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	118,197	3,132,143	3,250,340	31,318
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Includes \$33,299, \$6,270,208 and \$1,736,992 reported as restricted in the sewer and landfill enterprise funds and internal service fund, respectively).....	706,842	9,593,790	10,300,632	1,736,992
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$8,478, \$5,932,337 and \$1,768,310 reported as restricted in the sewer and landfill enterprise funds and internal service fund, respectively).....	\$ 825,039	\$ 12,725,933	\$ 13,550,972	\$ 1,768,310
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating income (loss).....	\$ 50,016	\$ 3,916,211	\$ 3,966,227	\$ (330,581)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Changes in assets and liabilities not requiring current cash flows:				
Depreciation.....	195,611	1,248,139	1,443,750	-
Net OPEB obligation.....	31,362	238,592	269,954	-
Changes in assets and liabilities requiring current cash flows:				
User charges.....	24,092	(108,940)	(84,848)	-
Utility liens.....	14,481	-	14,481	-
Special assessments.....	35,027	-	35,027	-
Working capital deposit.....	-	-	-	21,800
Warrants payable.....	111	(155,713)	(155,602)	(42,187)
Accrued payroll.....	5,810	1,354	7,164	-
Accrued health claims payable.....	-	-	-	(321,484)
Landfill closure and postclosure care.....	-	338,358	338,358	-
Compensated absences.....	(1,216)	5,366	4,150	-
Total adjustments.....	305,278	1,567,156	1,872,434	(341,871)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 355,294	\$ 5,483,367	\$ 5,838,661	\$ (672,452)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Intergovernmental debt subsidies (MWPAT).....	\$ 49,467	\$ -	\$ 49,467	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

ASSETS	Private Purpose Trust Funds	Agency Funds
Cash and cash equivalents.....	\$ 33,722	\$ 730,837
LIABILITIES		
Warrants payable.....	-	330,968
Liabilities due depositors.....	-	399,869
Total liabilities.....	-	730,837
NET ASSETS		
Held in trust for other purposes.....	\$ 33,722	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Net investment income:	
Interest.....	\$ <u>2,377</u>
DEDUCTIONS	
Other.....	<u>800</u>
CHANGE IN NET ASSETS.....	1,577
NET ASSETS AT BEGINNING OF YEAR.....	<u>32,145</u>
NET ASSETS AT END OF YEAR.....	\$ <u><u>33,722</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 means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

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

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 2012 assessment totaled approximately \$1,691,000. 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 used to account for and report all financial resources not accounted for and reported in another fund.

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

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

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

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

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

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

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

The following major proprietary funds are reported:

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

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

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to 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 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. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$25,000 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 Balances

Government-Wide Financial Statements and Proprietary Fund 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.

"Affordable housing" represents amounts restricted for the creation and preservation of affordable housing within the Town.

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

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

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

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

Governmental Funds Financial Statements (Fund Balances)

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

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

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

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

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

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

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

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

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

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

Governmental Fund Financial Statements

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

P. Investment Income

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

Investment income from proprietary funds is retained in the funds.

Q. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

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

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

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

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

T. Total Column**Government-Wide Financial Statements**

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

Fund Financial Statements

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

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

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

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

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

An annual budget is adopted for the general fund and community preservation fund in conformity with the guidelines described above. The original fiscal year 2012 approved budget for the general fund authorized approximately \$53,056,000 in appropriations and other amounts to be raised. During fiscal year 2012, supplemental appropriations totaling approximately \$1,022,000 were authorized. The original and final fiscal year 2012 approved budget for the community preservation fund authorized approximately \$1,040,000 in appropriations.

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, 2012, the following governmental fund deficits exist:

<u>Fund</u>	<u>Amount</u>	<u>Funding Source</u>
Title I distribution FY12.....	\$ 100,021	Federal grant
SPED 94-142.....	86,111	Federal grant
Police outside detail.....	48,105	Charges for services
Education jobs fund.....	46,045	Federal grant
Teacher quality.....	43,982	Federal grant
Pumpout boat grant.....	20,000	State grant
Race to the top.....	16,663	State grant
State 911 incentive grant.....	13,322	State grant
State aid to highways.....	11,634	State grant

NOTE 3 - DEPOSITS AND INVESTMENTS

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

The 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, 2012, the Town's bank balance of \$37,849,194 was not exposed to custodial credit risk.

Investments Summary

The Town's investments at June 30, 2012 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 - 5	6 - 10
<u>Debt Securities:</u>				
U.S. Treasuries.....	\$ 585,439	\$ 150,844	\$ 318,325	\$ 116,270
U.S. Agencies.....	1,559,344	832,562	726,782	-
Corporate bonds.....	341,119	-	341,119	-
Money market mutual funds.....	1,121,643	1,121,643	-	-
Mutual bond funds.....	442,310	442,310	-	-
External investment pools.....	4,269,251	4,269,251	-	-
Total debt securities.....	8,319,106	\$ 6,816,610	\$ 1,386,226	\$ 116,270
<u>Other Investments:</u>				
Equity securities.....	350,602			
Equity mutual funds.....	387,316			
Total other investments.....	737,918			
Total investments.....	\$ 9,057,024			

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, 2012, the Town's investments were exposed to custodial credit risk as follows:

Investment Type	Fair Value	Held by Counterparty's Trust or Agent
U.S. Treasuries.....	\$ 585,439	\$ 585,439
U.S. Agencies.....	1,559,344	1,559,344
Corporate bonds.....	341,119	341,119
Money market mutual funds.....	1,121,643	1,121,643
Mutual bond funds.....	442,310	442,310
Equity securities.....	350,602	350,602
Equity mutual funds.....	387,316	387,316
Total.....	\$ 4,787,773	\$ 4,787,773

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, 2012, the credit quality ratings of the Town's debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *		
		AA	A	Unrated
Corporate bonds.....	\$ 341,119	\$ 143,693	\$ 197,426	\$ -
Money market mutual funds.....	1,121,643	-	-	1,121,643
Mutual bond funds.....	442,310	-	-	442,310
External investment pools.....	4,269,251	-	-	4,269,251
Total.....	\$ 6,174,323	\$ 143,693	\$ 197,426	\$ 5,833,204

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

NOTE 4 - ACCOUNTS RECEIVABLE

At June 30, 2012, 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.....	\$ 1,702,781	\$ (121,422)	\$ 1,581,359
Real estate tax deferrals.....	77,642	-	77,642
Tax liens.....	337,603	-	337,603
Motor vehicle and other excise taxes.....	522,138	(161,976)	360,162
Community preservation surcharges.....	49,602	-	49,602
Special assessments.....	233,729	-	233,729
Departmental and other.....	985,954	(411,321)	574,633
Intergovernmental.....	498,709	-	498,709
	<u>\$ 4,408,158</u>	<u>\$ (694,719)</u>	<u>\$ 3,713,439</u>

At June 30, 2012, receivables for the sewer and landfill enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges.....	\$ 1,742,241	\$ (103,423)	\$ 1,638,818
Utility liens.....	64,717	-	64,717
Special assessments.....	102,634	-	102,634
Intergovernmental.....	72,607	-	72,607
	<u>\$ 1,982,199</u>	<u>\$ (103,423)</u>	<u>\$ 1,878,776</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	Community Preservation Fund	Nonmajor Governmental Funds	Total
<u>Receivable type:</u>				
Real estate and personal property taxes.....	\$ 1,324,482	\$ -	\$ -	\$ 1,324,482
Real estate tax deferrals.....	77,642	-	-	77,642
Tax liens.....	330,991	6,612	-	337,603
Motor vehicle and other excise taxes.....	360,162	-	-	360,162
Community preservation surcharges.....	-	49,602	-	49,602
Special assessments.....	59,465	-	174,264	233,729
Departmental and other.....	-	-	574,633	574,633
Tax foreclosures.....	560,682	-	-	560,682
Total.....	<u>\$ 2,713,424</u>	<u>\$ 56,214</u>	<u>\$ 748,897</u>	<u>\$ 3,518,535</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, 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.....	\$ 26,704,645	\$ -	\$ -	\$ 26,704,645
Construction in progress.....	49,624	75,050	(49,624)	75,050
Total capital assets not being depreciated.....	<u>26,754,269</u>	<u>75,050</u>	<u>(49,624)</u>	<u>26,779,695</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,942,700	223,209	-	3,165,909
Buildings and improvements.....	84,509,655	401,517	-	84,911,172
Machinery and equipment.....	13,058,608	593,973	(233,421)	13,419,160
Infrastructure.....	5,112,366	777,673	-	5,890,039
Total capital assets being depreciated.....	<u>105,623,329</u>	<u>1,996,372</u>	<u>(233,421)</u>	<u>107,386,280</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(720,540)	(138,682)	-	(859,222)
Buildings and improvements.....	(27,314,365)	(2,409,137)	-	(29,723,502)
Machinery and equipment.....	(9,571,559)	(1,097,972)	227,620	(10,441,911)
Infrastructure.....	(1,454,106)	(177,983)	-	(1,632,089)
Total accumulated depreciation.....	<u>(39,060,570)</u>	<u>(3,823,774)</u>	<u>227,620</u>	<u>(42,656,724)</u>
Total capital assets being depreciated, net.....	<u>66,562,759</u>	<u>(1,827,402)</u>	<u>(5,801)</u>	<u>64,729,556</u>
Total governmental activities capital assets, net.....	<u>\$ 93,317,028</u>	<u>\$ (1,752,352)</u>	<u>\$ (55,425)</u>	<u>\$ 91,509,251</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities - Sewer Enterprise:				
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	750,917	24,821	-	775,738
Other.....	1,332,118	-	-	1,332,118
Infrastructure.....	7,326,791	-	-	7,326,791
Total capital assets being depreciated.....	9,409,826	24,821	-	9,434,647
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(690,803)	(10,202)	-	(701,005)
Other.....	(1,332,118)	-	-	(1,332,118)
Infrastructure.....	(3,479,765)	(185,409)	-	(3,665,174)
Total accumulated depreciation.....	(5,502,686)	(195,611)	-	(5,698,297)
Total capital assets being depreciated, net.....	3,907,140	(170,790)	-	3,736,350
Total sewer enterprise activities capital assets, net.....	\$ 3,907,140	\$ (170,790)	\$ -	\$ 3,736,350
Business-Type Activities - Landfill Enterprise:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,209,658	\$ -	\$ -	\$ 2,209,658
Construction in progress.....	-	2,711,383	-	2,711,383
Total capital assets not being depreciated.....	2,209,658	2,711,383	-	4,921,041
<u>Capital assets being depreciated:</u>				
Land improvements.....	4,511,778	-	-	4,511,778
Buildings and improvements.....	10,622,518	-	-	10,622,518
Machinery and equipment.....	5,192,139	360,900	-	5,553,039
Total capital assets being depreciated.....	20,326,435	360,900	-	20,687,335
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(3,425,651)	(755,146)	-	(4,180,797)
Buildings and improvements.....	(6,240,915)	(188,609)	-	(6,429,524)
Machinery and equipment.....	(3,586,986)	(304,384)	-	(3,891,370)
Total accumulated depreciation.....	(13,253,552)	(1,248,139)	-	(14,501,691)
Total capital assets being depreciated, net.....	7,072,883	(887,239)	-	6,185,644
Total landfill enterprise capital assets, net.....	\$ 9,282,541	\$ 1,824,144	\$ -	\$ 11,106,685
Total business-type activities capital assets, net.....	\$ 13,189,681	\$ 1,653,354	\$ -	\$ 14,843,035

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

Governmental Activities:

General government.....	\$ 135,106
Public safety.....	405,318
Education.....	2,456,443
Public works.....	492,343
Health and human services.....	1,314
Culture and recreation.....	<u>333,250</u>

Total depreciation expense - governmental activities..... \$ 3,823,774

Business-Type Activities:

Sewer.....	\$ 195,611
Landfill.....	<u>1,248,139</u>

Total depreciation expense - business-type activities..... \$ 1,443,750

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

Transfers Out:	Transfers In:				Total
	General Fund	Nonmajor Governmental Funds	Landfill Enterprise Fund		
General Fund.....	\$ -	\$ 22,410	\$ -	\$	22,410 (1)
Community Preservation Fund.....	733,460	-	-		733,460 (2)
Nonmajor Governmental Funds.....	1,576,318	-	21,600		1,597,918 (3)
Sewer Enterprise Fund.....	130,742	-	-		130,742 (4)
Landfill Enterprise Fund.....	<u>2,447,878</u>	<u>-</u>	<u>-</u>		<u>2,447,878 (5)</u>
	<u>\$ 4,888,398</u>	<u>\$ 22,410</u>	<u>\$ 21,600</u>	<u>\$</u>	<u>4,932,408</u>

(1) Represents budgeted transfer to the capital projects fund

(2) Represents budgeted transfer to fund debt service

(3) Represents budgeted transfers to fund a portion of the fiscal year 2012 operating budget from the ambulance fund (\$900,000), waterway improvements fund (\$260,200), federal impact aid fund (\$195,000), various closed capital projects funds (\$175,658), community septic management program fund (\$30,460) and conservation commission receipts reserved fund (\$15,000). Also represents a transfer from the insurance recovery fund to the landfill enterprise fund (\$21,600).

(4) Represents budgeted transfer of indirect costs

(5) Represents budgeted transfers of indirect costs (\$1,763,655) and the host community fees (\$450,000). Also represents additional transfer of host community fees (\$234,223).

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, 2012, is as follows:

Notes Payable - Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2011	Increases	Decreases	Balance at June 30, 2012
BAN	School construction.....	09/29/10	09/29/11	1.25%	\$ 2,450,000	\$ -	\$ (2,450,000)	\$ -
BAN	Server update.....	12/19/11	12/18/12	1.25%	-	80,000	(80,000)	-
BAN	Police cruisers.....	12/19/11	12/18/12	1.25%	-	110,000	(110,000)	-
BAN	Police computers.....	12/19/11	12/18/12	1.25%	-	26,000	(26,000)	-
BAN	Fire breaker vehicle.....	12/19/11	12/18/12	1.25%	-	55,000	(55,000)	-
BAN	Fire ambulance.....	12/19/11	12/18/12	1.25%	-	170,000	(170,000)	-
BAN	School technology.....	12/19/11	12/18/12	1.25%	-	205,000	(205,000)	-
BAN	High school energy conversion.....	12/19/11	12/18/12	1.25%	-	100,000	(100,000)	-
BAN	Removal of underground tanks.....	12/19/11	12/18/12	1.25%	-	25,000	(25,000)	-
BAN	DPW dump truck.....	12/19/11	12/18/12	1.25%	-	150,000	(150,000)	-
BAN	DPW garage repairs.....	12/19/11	12/18/12	1.25%	-	50,000	(50,000)	-
SAN	Bourndale elementary school.....	04/25/12	12/18/12	0.50%	-	312,500	(312,500)	-
BAN	Road repairs - Club House Drive....	06/22/12	12/18/12	0.50%	-	580,000	(580,000)	-
	Total.....				<u>\$ 2,450,000</u>	<u>\$ 1,863,500</u>	<u>\$ (4,313,500)</u>	<u>\$ -</u>

Notes Payable - Enterprise Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2011	Increases	Decreases	Balance at June 30, 2012
BAN	Landfill liner - phase 4.....	12/19/11	12/18/12	1.25%	\$ -	\$ 4,150,000	\$ (4,100,000)	\$ 50,000

Subsequent Events

On September 19, 2012, the Town issued a state anticipation note in the amount of \$1,421,500, at an interest rate of 0.50% with a maturity date of December 18, 2012.

On December 15, 2012, the Town issued \$7,290,000 of general obligation bonds. A portion of the proceeds, \$5,963,500 plus \$50,000 of available funds, was used to retire BAN's outstanding at June 30, 2012. Accordingly, \$5,963,500 of BAN's have been reclassified to long-term debt at June 30, 2012. The remaining balance of \$1,326,500, was used to retire a portion of the state anticipation note outstanding in the amount of \$1,421,500 with the remaining \$95,000 being retired with available funds.

NOTE 8 - LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2012, the following changes occurred in long-term liabilities:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion
Governmental Activities:					
Bonds and notes payable.....	\$ 25,423,945	\$ 1,863,500	\$ (2,434,242)	\$ 24,853,203	\$ 2,771,497
Net OPEB obligation.....	8,892,058	5,954,869	(2,242,159)	12,604,768	-
Compensated absences.....	1,907,840	-	(90,863)	1,816,977	181,698
Total.....	<u>\$ 36,223,843</u>	<u>\$ 7,818,369</u>	<u>\$ (4,767,264)</u>	<u>\$ 39,274,948</u>	<u>\$ 2,953,195</u>
Business-type Activities:					
Bonds and notes payable.....	\$ 7,460,778	\$ 4,100,000	\$ (1,014,296)	\$ 10,546,482	\$ 1,046,255
Net OPEB obligation.....	534,855	380,216	(110,262)	804,809	-
Landfill closure.....	4,225,219	513,444	(175,086)	4,563,577	-
Compensated absences.....	187,537	4,150	-	191,687	19,169
Total.....	<u>\$ 12,408,389</u>	<u>\$ 4,997,810</u>	<u>\$ (1,299,644)</u>	<u>\$ 16,106,555</u>	<u>\$ 1,065,424</u>

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

NOTE 9 - LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2012, and the debt service requirements are as follows:

Bonds and Notes Payable - Governmental Funds

Project	Interest Rate	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
MWPAT Pool 9 97-1038-1.....	0.00%	\$ 126,890	\$ -	\$ (9,842)	\$ 117,048
MWPAT Title V 97-1038.....	0.00%	103,800	-	(10,400)	93,400
MWPAT Pool 11 T5-97-1038-2.....	0.00%	150,000	-	(10,000)	140,000
Tennis Courts.....	4.73%	2,000	-	(2,000)	-
Town Hall Repair.....	5.02%	476,000	-	(96,000)	380,000
Community Center.....	3.55%	2,921,000	-	(257,000)	2,664,000
Land for Community Center.....	3.47%	190,000	-	(19,000)	171,000
Police Remodeling.....	2.97%	18,000	-	(6,000)	12,000
Library Roof.....	3.19%	82,000	-	(14,000)	68,000
Land Acquisition.....	3.52%	797,000	-	(73,000)	724,000
Land Acquisition.....	3.53%	1,353,000	-	(123,000)	1,230,000
Land Acquisition.....	3.57%	629,000	-	(53,000)	576,000
Land Acquisition.....	3.87%	2,050,000	-	(150,000)	1,900,000
School Plans.....	3.85%	250,000	-	(20,000)	230,000
Municipal Purpose Loan.....	4.25%	3,802,000	-	(441,000)	3,361,000
Municipal Purpose Loan.....	3.14%	7,924,000	-	(875,000)	7,049,000
School Refunding.....	2.00% - 3.00%	960,000	-	(275,000)	685,000
Municipal Purpose Loan.....	1.50 % - 4.00%	3,589,255	-	-	3,589,255
Municipal Purpose Loan.....	2.00% - 3.00%	-	1,863,500	-	1,863,500
Total governmental funds.....		\$ 25,423,945	\$ 1,863,500	\$ (2,434,242)	\$ 24,853,203

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>
2013.....	\$ 2,771,497	\$ 761,650	\$ 3,533,147
2014.....	2,740,801	705,440	3,446,241
2015.....	2,498,444	626,967	3,125,411
2016.....	2,163,444	552,002	2,715,446
2017.....	1,763,444	484,714	2,248,158
2018.....	1,626,444	429,744	2,056,188
2019.....	1,578,444	374,706	1,953,150
2020.....	1,547,817	321,258	1,869,075
2021.....	1,517,617	268,785	1,786,402
2022.....	1,390,417	217,993	1,608,410
2023.....	1,163,417	173,275	1,336,692
2024.....	808,417	138,472	946,889
2025.....	799,000	110,143	909,143
2026.....	627,000	81,504	708,504
2027.....	495,000	61,158	556,158
2028.....	480,000	42,731	522,731
2029.....	355,000	26,671	381,671
2030.....	344,000	13,161	357,161
2031.....	94,000	4,871	98,871
2032.....	89,000	1,615	90,615
Total.....	\$ 24,853,203	\$ 5,396,860	\$ 30,250,063

Bonds and Notes Payable – Enterprise Funds

Project	Interest Rate	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
MWPAT Sewer 91-21.....	0.00%	\$ 201,809	\$ -	\$ (78,889)	\$ 122,920
MWPAT Sewer 93-15.....	3.60%	40,969	-	(9,407)	31,562
Landfill Water Main.....	5.05%	27,000	-	(7,000)	20,000
Landfill Liner.....	3.77%	1,500,000	-	(300,000)	1,200,000
ISWM Bulldozer.....	4.25%	75,000	-	(75,000)	-
ISWM Scale.....	4.25%	62,000	-	(62,000)	-
ISWM Landfill Phase 3 Stage 3.....	3.14%	356,000	-	(22,000)	334,000
Sewer Truck.....	3.14%	16,000	-	(8,000)	8,000
Sewer Replace Pumps and Panels.....	3.14%	13,000	-	(7,000)	6,000
Sewer Replace Pumps and Panels.....	3.14%	73,000	-	(25,000)	48,000
ISWM Landfill Phase IIA/IIIA Liner.....	3.14%	2,090,000	-	(110,000)	1,980,000
ISWM Komatsu 155A Dozer.....	3.14%	450,000	-	(150,000)	300,000
ISWM Gas Generator and App.....	3.14%	257,000	-	(87,000)	170,000
ISWM Landfill Processing Center.....	3.14%	331,000	-	(19,000)	312,000
ISWM Residential Recycling Center.....	3.14%	996,000	-	(54,000)	942,000
ISWM Road Repair.....	2.38%	250,000	-	-	250,000
ISWM Flare Skid.....	1.81%	335,000	-	-	335,000
ISWM CAT Mini Loader.....	0.98%	95,000	-	-	95,000
ISWM Ford 550 Container Truck.....	0.99%	72,000	-	-	72,000
ISWM Cap/Odor Mitigation.....	2.78%	220,000	-	-	220,000
ISWM Phase IV Landfill Liner.....	2.00% - 3.00%	-	4,100,000	-	4,100,000
Total enterprise funds.....		\$ 7,460,778	\$ 4,100,000	\$ (1,014,296)	\$ 10,546,482

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>
2013.....	\$ 1,046,255	\$ 221,645	\$ 1,267,900
2014.....	1,811,118	225,687	2,036,805
2015.....	1,502,109	196,045	1,698,154
2016.....	1,438,000	165,271	1,603,271
2017.....	1,051,000	132,741	1,183,741
2018.....	1,051,000	105,238	1,156,238
2019.....	229,000	89,316	318,316
2020.....	229,000	82,226	311,226
2021.....	229,000	75,130	304,130
2022.....	229,000	67,870	296,870
2023.....	229,000	145,004	374,004
2024.....	229,000	60,668	289,668
2025.....	229,000	44,040	273,040
2026.....	226,000	35,583	261,583
2027.....	210,000	112,215	322,215
2028.....	210,000	44,931	254,931
2029.....	190,000	11,941	201,941
2030.....	186,000	4,476	190,476
2031.....	11,000	591	11,591
2032.....	11,000	199	11,199
Total.....	\$ 10,546,482	\$ 1,820,817	\$ 12,367,300

Subsequent Events

On December 15, 2012, the Town issued \$7,290,000 of general obligation bonds. Of this amount, \$5,963,500 was used to retire BAN's (related to the phase four landfill liner, road resurfacing, school building improvements, and other various municipal purposes) that were outstanding at June 30, 2012 and, accordingly, the \$5,963,500 of BAN's have been reclassified to long-term debt at June 30, 2012. The remaining balance of \$1,326,500 was used for the purchase of equipment, school technology, public works truck, police cruisers, community building remodeling, and other various municipal purposes.

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, 2012, the Town had the following authorized and unissued debt:

Purpose	Amount
Elementary School.....	\$ 14,687,500
Landfill liner - phase 4.....	50,000 *
Landfill liner - phase 4.....	605,850
Replace Fire engine 125.....	575,000
ISWM replace 826g compactor.....	500,000
ISWM replace CAT 6R dozer.....	235,000
School technology.....	210,000
DPW replace dump/sander truck	141,000
Police cruisers.....	136,000
Veterans community building renovations.....	130,000
Pocasset playground upgrade.....	75,000
Police tasers.....	65,500
Clark field playground upgrade.....	60,000
School maintenance truck.....	60,000
High School - replace gym bleachers.....	44,000
Total.....	\$ 17,574,850

* Represents BAN outstanding at June 30, 2012

NOTE 10 - LANDFILL CLOSURE AND POSTCLOSURE CARE

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

The closure and postclosure care liability consist of the following at June 30, 2012:

<u>Closure:</u>	
Phase 2A/3A.....	\$ 1,996,430
Phase 3, Stage 3 South Side.....	583,885
Sub-total (closure).....	2,580,315
Postclosure care.....	1,882,458
Transfer station closure.....	100,804
Total closure and postclosure care liability.....	\$ 4,563,577

The Phase 2A/3A landfill closure liability represents the cumulative amount reported based on the use of 95% 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 59% of the estimated capacity of the entire landfill.

Closure and postclosure care costs consist of the following at June 30, 2012:

<u>Costs:</u>	
Postclosure care.....	\$ 120,559
Phase 2A/3A.....	389,948
Transfer station closure.....	2,937
Total closure and postclosure care costs.....	513,444
Less: amounts paid toward closure.....	(175,086)
Net increase to landfill liability.....	\$ 338,358

These amounts are based on what it would cost to perform all closure and postclosure care in 2012. Based on current demographic information and engineering estimates of landfill consumption, the Town expects to close the landfill in approximately 2025. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The Town will recognize the remaining estimated cost of closure and postclosure care of approximately \$6,300,000 as the remaining estimated capacity is filled.

The Town is required by state laws and regulations to meet annual financial assurance requirements. At June 30, 2012, approximately \$3,335,000 of funds has been set aside for closure and postclosure care costs.

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS

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

The number of participants as of June 30, 2010, the latest actuarial valuation, is as follows:

Active employees.....	392
Retired employees and spouses.....	<u>421</u>
Total.....	<u>813</u>

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

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

	Amount
Annual required contribution.....	\$ 6,218,607
Interest on net OPEB obligation.....	433,746
Adjustment to annual required contribution.....	<u>(317,268)</u>
Annual OPEB cost.....	6,335,085
Contributions made.....	<u>(2,352,421)</u>
Increase in net OPEB obligation.....	3,982,664
Net OPEB obligation at beginning of year.....	<u>9,426,913</u>
Net OPEB obligation at end of year.....	<u>\$ 13,409,577</u>

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2010.....	\$ 5,181,034	44.3%	\$ 5,647,265
June 30, 2011.....	6,007,877	37.1%	9,426,913
June 30, 2012.....	6,335,085	37.1%	13,409,577

Funded Status and Funding Progress – The funded status of the Plan at June 30, 2010, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL)Ratio (B-A)	Funded (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/10	\$ -	\$ 88,040,390	\$ 88,040,390	-	\$ 30,015,606	293%

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

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

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

Valuation date:	June 30, 2010
Actuarial cost method:	Projected Unit Credit
Amortization method:	Amortization payments increasing at 4.50%
Remaining amortization period:	30 years (open)
Interest discount rate:	5.00%
Medical/drug cost trend rate:	Health - 10.00% decreasing by 0.75% for 6 years and by 0.50% for 1 year to an ultimate level of 5.00% per year.
	Dental - 5.00% per year
Inflation rate:	4.50%

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

Governmental Activities:	
General government.....	\$ 343,303
Public safety.....	1,473,271
Education.....	3,604,296
Public works.....	308,324
Health and human services.....	132,644
Culture and recreation.....	<u>93,031</u>
Total AOPEBC - governmental activities....	<u>5,954,869</u>
Business-Type Activities:	
Sewer.....	34,513
Landfill.....	<u>345,703</u>
Total AOPEBC - business-type activities....	<u>380,216</u>
Total AOPEBC.....	<u>\$ 6,335,085</u>

NOTE 12 – RISK FINANCING

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

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

The estimated "Incurred But Not Reported (IBNR)" claims are based on actual subsequent activity and historical trends. The liability at June 30, 2012 totaled \$408,393. Changes in the reported liability since July 1, 2010, 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 2011.....	\$ 728,836	\$ 8,861,671	\$ (8,860,630)	\$ 729,877
Fiscal year 2012.....	729,877	9,014,692	(9,336,176)	408,393

NOTE 13 - FUND BALANCES

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 35,341	\$ 35,341
Restricted:				
Debt service.....	57,111	-	-	57,111
Community preservation.....	-	4,662,432	-	4,662,432
Ambulance receipts reserved.....	-	-	1,124,380	1,124,380
Foundation reserve.....	-	-	984,130	984,130
School Choice.....	-	-	516,634	516,634
Capital.....	-	-	1,467,867	1,467,867
Open space.....	-	-	250,000	250,000
Affordable housing.....	-	-	143,478	143,478
Community development block grant.....	-	-	31,590	31,590
School lunch.....	-	-	21,005	21,005
General government.....	-	-	85,922	85,922
Public safety.....	-	-	440,777	440,777
Education.....	-	-	472,609	472,609
Public works.....	-	-	382,542	382,542
Health and human services.....	-	-	12,358	12,358
Culture and recreation.....	-	-	101,901	101,901
Sub-total - Restricted.....	57,111	4,662,432	6,035,193	10,754,736
Committed:				
Subsequent year's expenditures.....	1,750,000	-	-	1,750,000
Capital stabilization.....	720,956	-	-	720,956
Continuing appropriations.....	1,722,792	-	-	1,722,792
Sub-total - Committed.....	4,193,748	-	-	4,193,748
Assigned:				
Encumbrances.....	146,464	-	-	146,464
Unassigned.....	10,872,935	-	(385,883)	10,487,052
	<u>\$ 15,270,258</u>	<u>\$ 4,662,432</u>	<u>\$ 5,684,651</u>	<u>\$ 25,617,341</u>

NOTE 14 - STABILIZATION FUNDS

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

The balance of the general stabilization and capital stabilization funds at June 30, 2012 total \$3,475,477 and \$720,956, respectively. These balances are reported in the general fund as unassigned and committed fund balance, respectively.

NOTE 15 - PRIOR PERIOD RECLASSIFICATIONS

The beginning fund balance of the nonmajor governmental funds have been restated from \$4,463,307 to \$4,786,456 to reflect the reclassification of the previously reported Elementary School Construction major fund totaling \$323,149.

NOTE 16 - 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, 2012, 2011, and 2010 were \$2,580,728, \$2,503,929, and \$2,236,480, respectively, which equaled its required contribution for each fiscal year.

NOTE 17 - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$5,481,000 for the fiscal year ended June 30, 2012, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

NOTE 18 - COMMITMENTS

Significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$1,869,256 at June 30, 2012.

NOTE 19 - 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, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2012.

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, 2012, 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 20 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented during fiscal year 2013. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, which is required to be implemented during fiscal year 2013. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented during fiscal year 2013. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented during fiscal year 2013. The implementation of this Statement will require a change to the title of the Statement of Net Assets to the Statement of Net Position.
- Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.
- Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.

- Statement No. 67, Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25, which is required to be implemented during fiscal year 2014. Management has determined that the implementation of this Statement will not impact the basic financial statements.
- Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the Town will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real estate and personal property taxes.....	\$ -	\$ 36,634,178	\$ -	\$ 36,634,178
Motor vehicle and other excise taxes.....	-	1,817,939	-	1,817,939
Tax liens.....	-	-	-	-
Payments in lieu of taxes.....	-	24,000	-	24,000
Intergovernmental.....	-	7,021,844	-	7,021,844
Special assessments.....	-	-	-	-
Penalties and interest on taxes.....	-	272,780	-	272,780
Licenses and permits.....	-	441,000	-	441,000
Fines and forfeitures.....	-	108,000	-	108,000
Departmental and other.....	-	1,439,650	-	1,439,650
Investment income.....	-	53,000	-	53,000
TOTAL REVENUES.....	-	47,812,391	-	47,812,391
EXPENDITURES				
Current:				
General government.....	260,586	2,896,016	33,823	3,190,425
Public safety.....	1,124,194	7,750,199	472,855	9,347,248
Education.....	445,398	21,742,553	(2,746)	22,185,205
Public works.....	33,431	2,082,896	311,148	2,427,475
Health and human services.....	933	928,954	59,627	989,514
Culture and recreation.....	79,663	603,463	56,499	739,625
Pension benefits.....	-	2,629,315	162	2,629,477
Employee benefits.....	-	7,481,500	14,897	7,496,397
Property and liability insurance.....	-	737,110	52,605	789,715
State and county charges.....	-	2,882,538	-	2,882,538
Debt service:				
Principal.....	-	2,439,242	-	2,439,242
Interest.....	-	881,922	513	882,435
TOTAL EXPENDITURES.....	1,944,205	53,055,708	999,383	55,999,296
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(1,944,205)	(5,243,317)	(999,383)	(8,186,905)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	-	4,293,317	512,871	4,806,188
Premium from issuance of bonds and notes.....	-	-	-	-
Sale of capital assets.....	-	-	-	-
Transfers out.....	-	-	(22,410)	(22,410)
TOTAL OTHER FINANCING SOURCES (USES).....	-	4,293,317	490,461	4,783,778
NET CHANGE IN FUND BALANCE.....	(1,944,205)	(950,000)	(508,922)	(3,403,127)
FUND BALANCE AT BEGINNING OF YEAR.....	8,968,455	8,968,455	8,968,455	8,968,455
FUND BALANCE AT END OF YEAR.....	\$ 7,024,250	\$ 8,018,455	\$ 8,459,533	\$ 5,565,328

See notes to required supplementary information.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 37,237,301	\$ -	\$ 37,237,301	\$ 603,123
2,276,771	-	2,276,771	458,832
207,719	-	207,719	207,719
13,948	-	13,948	(10,052)
7,111,431	-	7,111,431	89,587
9,474	-	9,474	9,474
399,026	-	399,026	126,246
570,818	-	570,818	129,818
128,945	-	128,945	20,945
1,604,186	-	1,604,186	164,536
42,892	-	42,892	(10,108)
49,602,511	-	49,602,511	1,790,120
2,731,816	320,632	3,052,448	137,977
7,792,355	1,137,521	8,929,876	417,372
21,988,993	146,634	22,135,627	49,578
2,102,137	191,613	2,293,750	133,725
919,536	7,466	927,002	62,512
651,713	65,390	717,103	22,522
2,576,635	-	2,576,635	52,842
6,814,680	-	6,814,680	681,717
787,715	-	787,715	2,000
2,812,142	-	2,812,142	70,396
2,434,242	-	2,434,242	5,000
842,046	-	842,046	40,389
52,454,010	1,869,256	54,323,266	1,676,030
(2,851,499)	(1,869,256)	(4,720,755)	3,466,150
4,806,188	-	4,806,188	-
137,197	-	137,197	137,197
1,105	-	1,105	1,105
(22,410)	-	(22,410)	-
4,922,080	-	4,922,080	138,302
2,070,581	(1,869,256)	201,325	3,604,452
8,968,455	8,968,455	8,968,455	-
\$ 11,039,036	\$ 7,099,199	\$ 9,169,780	\$ 3,604,452

COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Community preservation surcharges.....	\$ -	\$ 1,073,700	\$ -	\$ 1,073,700
Intergovernmental	-	300,640	-	300,640
Tax liens.....	-	-	-	-
Penalties and interest on taxes.....	-	-	-	-
Departmental and other.....	-	-	-	-
Investment income.....	-	-	-	-
TOTAL REVENUES.....	-	1,374,340	-	1,374,340
EXPENDITURES				
Current:				
General government.....	51,423	30,000	-	81,423
Health and human services.....	422,369	137,435	-	559,804
Culture and recreation.....	890,201	139,435	-	1,029,636
TOTAL EXPENDITURES.....	1,363,993	306,870	-	1,670,863
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(1,363,993)	1,067,470	-	(296,523)
OTHER FINANCING SOURCES (USES)				
Transfers out.....	-	(733,460)	-	(733,460)
NET CHANGE IN FUND BALANCE.....	(1,363,993)	334,010	-	(1,029,983)
FUND BALANCE AT BEGINNING OF YEAR.....	4,504,555	4,504,555	4,504,555	4,504,555
FUND BALANCE AT END OF YEAR.....	3,140,562	\$ 4,838,565	\$ 4,504,555	\$ 3,474,572

See notes to required supplementary information.

<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
\$ 1,091,120	\$ -	\$ 1,091,120	\$ 17,420
311,124	-	311,124	10,484
5,945	-	5,945	5,945
8,956	-	8,956	8,956
104	-	104	104
6,409	-	6,409	6,409
<u>1,423,658</u>	<u>-</u>	<u>1,423,658</u>	<u>49,318</u>
38,554	33,871	72,425	8,998
59,290	500,514	559,804	-
422,477	595,159	1,017,636	12,000
<u>520,321</u>	<u>1,129,544</u>	<u>1,649,865</u>	<u>20,998</u>
903,337	(1,129,544)	(226,207)	70,316
<u>(733,460)</u>	<u>-</u>	<u>(733,460)</u>	<u>-</u>
169,877	(1,129,544)	(959,667)	70,316
<u>4,504,555</u>	<u>4,504,555</u>	<u>4,504,555</u>	<u>-</u>
<u>\$ 4,674,432</u>	<u>\$ 3,375,011</u>	<u>\$ 3,544,888</u>	<u>\$ 70,316</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)
01/01/10	\$ 554,876,554	\$ 1,030,210,321	\$ 475,333,767	53.9%	\$ 234,374,075	202.8%
01/01/09	520,089,855	966,564,614	446,474,759	53.8%	249,971,296	178.6%
01/01/07	517,396,087	825,863,068	308,466,981	62.6%	226,391,633	136.3%
01/01/06	465,637,984	765,747,723	300,109,739	60.8%	215,474,180	139.3%
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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS (ASSOCIATION)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2006	\$ 32,038,146	100
2007	34,360,912	100
2008	36,943,817	100
2009	39,899,322	100
2010	43,893,051	100
2011	43,807,158	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 (%)
2007	1,801,969	100	5.6%
2008	1,888,019	100	5.5%
2009	2,046,604	100	5.5%
2010	2,236,480	100	5.6%
2011	2,503,929	100	5.7%
2012	2,580,728	100	5.9%

OTHER POSTEMPLOYMENT BENEFITS SCHEDULE

The following schedule provides information related to the Town's other postemployment benefits plan:

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/10	\$ -	\$ 88,040,390	\$ 88,040,390	-	\$ 30,015,606	293%
06/30/08	-	74,937,141	74,937,141	-	27,668,817	271%

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

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 and community preservation fund for the fiscal year ended June 30, 2012, is presented below:

General Fund

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 49,602,511	\$ 54,323,266	\$ 4,922,080
<u>Adjustments:</u>			
Net change in recording 60-day receipts.....	5,462	-	-
Net change in recording tax refunds payable.....	(250,062)	-	-
Net change in recording other revenues.....	108,739	-	-
To record MTRS on-behalf payments.....	5,480,964	5,480,964	-
Net change in recording short-term interest accrual.....	-	(49,873)	-
Net change in recording other expenditures.....	-	529	-
To record encumbrances and continuing appropriations.....	-	(1,869,256)	-
Total on GAAP basis of accounting.....	54,947,614	57,885,630	4,922,080
<u>Reclassifications:</u>			
To reclassify the activity of the stabilization fund to the general fund.....	58,049	-	82,210
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ <u>55,005,663</u>	\$ <u>57,885,630</u>	\$ <u>5,004,290</u>

Community Preservation Fund

	<u>Expenditures</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 1,649,865
<u>Adjustments:</u>	
To record encumbrances and continuing appropriations.....	(1,129,544)
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ <u>520,321</u>

NOTE B - PENSION PLAN

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

Valuation date:	January 1, 2010
Actuarial cost method:	Entry age normal cost
Amortization method:	Payments increase at 4.00% per year after fiscal 2015
Remaining amortization period:	28 years from July 1, 2010 for 2002 and 2003 Early Retirement Incentives, retiree sheriffs liability 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:	8.00%
Projected salary increases:	4.75% - 5.25%
Cost of living adjustments:	3.00% of first \$12,000 of retirement income, increasing \$1,000 per year in fiscal year 2012, 2013 and 2014