

**TOWN OF BOURNE, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2007**

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## INDEPENDENT AUDITORS' REPORT

To the 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 year ended June 30, 2007, 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's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bourne, as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, is not a required part of the basic financial statements but is supplementary information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management

Additional Offices:

Orangeville, VT • Ellsworth, ME • Nashua, NH • Manchester, NH

regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 21, 2008 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
May 21, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Bourne, we offer readers this narrative overview and analysis of the financial activities of the Town of Bourne for the fiscal year ended June 30, 2007.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The statement of net assets presents information on all 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 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 and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions 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). The governmental activities include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities include landfill and sewer activities.

**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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and 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 spendable resources, as well as on balances of spendable 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 impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for landfill and sewer operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal services funds are used to account for self-insured employee health programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and landfill operations, both of which are considered to be major funds.

**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 own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by the *Governmental Accounting Standards Board*.

## B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 77,056,351 (i.e., net assets), a change of \$ 7,187,478 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 15,711,511, a change of \$ 4,493,183 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 4,569,706, a change of \$ 312,170 in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 34,574,212, a change of \$ (4,384,923) in comparison to the prior year.

## C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 26,254	\$ 23,589	\$ 14,438	\$ 12,120	\$ 40,692	\$ 35,709
Capital assets	<u>73,398</u>	<u>72,197</u>	<u>13,879</u>	<u>14,366</u>	<u>87,277</u>	<u>86,563</u>
Total assets	99,652	95,786	28,317	26,486	127,969	122,272
Long-term liabilities outstanding	26,826	29,791	6,376	7,878	33,202	37,669
Other liabilities	<u>14,083</u>	<u>11,707</u>	<u>3,628</u>	<u>3,027</u>	<u>17,711</u>	<u>14,734</u>
Total liabilities	40,909	41,498	10,004	10,905	50,913	52,403
Net assets:						
Invested in capital assets, net	45,811	38,392	7,562	7,000	53,373	45,392
Restricted	2,676	3,094	-	-	2,676	3,094
Unrestricted	<u>10,256</u>	<u>12,802</u>	<u>10,751</u>	<u>8,581</u>	<u>21,007</u>	<u>21,383</u>
Total net assets	\$ <u>58,743</u>	\$ <u>54,288</u>	\$ <u>18,313</u>	\$ <u>15,581</u>	\$ <u>77,056</u>	\$ <u>69,869</u>

## CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,818	\$ 5,169	\$ 13,881	\$ 14,530	\$ 18,699	\$ 19,699
Operating grants and contributions	12,876	12,287	-	-	12,876	12,287
Capital grants and contributions	2,776	1,832	-	-	2,776	1,832
General revenues:						
Property taxes	31,296	30,565	-	-	31,296	30,565
Excises	2,309	2,416	-	-	2,309	2,416
Penalties and interest on taxes	360	317	-	-	360	317
Grants and contributions not restricted to specific programs	3,036	2,412	-	-	3,036	2,412
Investment income	911	693	501	269	1,412	962
Other	<u>3,277</u>	<u>2,045</u>	<u>-</u>	<u>-</u>	<u>3,277</u>	<u>2,045</u>
Total revenues	61,659	57,736	14,382	14,799	76,041	72,535
Expenses:						
General government	2,738	2,381	-	-	2,738	2,381
Public safety	7,797	7,526	-	-	7,797	7,526
Education	29,426	27,718	-	-	29,426	27,718
Public works	2,416	2,066	-	-	2,416	2,066
Health and human services	829	657	-	-	829	657
Culture and recreation	858	950	-	-	858	950
Employee benefits	10,057	7,846	-	-	10,057	7,846
Interest on long-term debt	1,505	1,554	-	-	1,505	1,554
Intergovernmental	1,701	1,444	-	-	1,701	1,444
Landfill operations	-	-	10,795	11,516	10,795	11,516
Sewer operations	-	-	737	791	737	791
Total expenses	<u>57,327</u>	<u>52,142</u>	<u>11,532</u>	<u>12,307</u>	<u>68,859</u>	<u>64,449</u>
Change in net assets before transfers and permanent fund contributions	4,332	5,594	2,850	2,492	7,182	8,086
Transfers in (out)	118	138	( 118)	( 138)	-	-
Permanent fund contributions	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>-</u>
Change in net assets	4,455	5,732	2,732	2,354	7,187	8,086
Net assets - beginning of year	<u>54,288</u>	<u>48,556</u>	<u>15,581</u>	<u>13,227</u>	<u>69,869</u>	<u>61,783</u>
Net assets - end of year	<u>\$ 58,743</u>	<u>\$ 54,288</u>	<u>\$ 18,313</u>	<u>\$ 15,581</u>	<u>\$ 77,056</u>	<u>\$ 69,869</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 77,056,351, a change of \$ 7,187,478 from the prior year.

The largest portion of net assets \$ 53,373,332 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital



assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in 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 net assets, \$ 2,675,406, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 21,007,613 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in an increase in net assets of \$ 4,455,411. Key elements of this change are as follows:

	<u>Government Wide Governmental Activities</u>
General fund - accrual basis	\$ 2,098,210
CPA fund - accrual basis	763,212
Nonmajor funds - accrual basis	( 788,674)
Internal service fund	1,211,119
Excess principal maturities, a budgeted expense over depreciation, which is not budgeted of funded	1,052,196
Other GAAP accruals	<u>119,348</u>
Total	\$ <u>4,455,411</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net assets of \$ 2,732,067. The following summarizes net income (loss) for our enterprise funds:

Landfill Enterprise	\$ 2,806,482
Sewer Enterprise	( <u>74,415</u> )
Total	\$ <u>2,732,067</u>

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 15,711,511, a change of \$ 4,493,183 in comparison with the prior year. Most of this change was attributable to the following:

	<u>Fund Balance Governmental Funds</u>
General fund surplus	\$ 1,745,332
CPA fund surplus	763,212
Nonmajor fund surplus	<u>1,984,639</u>
Total	<u>\$ 4,493,183</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 4,569,706, while total fund balance was \$ 6,810,007. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 9 percent of total general fund expenditures, while total fund balance represents 13 percent of that same amount.

The fund balance of the general fund changed by \$ 1,745,332 during the current fiscal year. Key factors in this change are as follows:

	<u>Fund Balance General Fund</u>
Excess state and local revenues over budget	\$ 732,158
Budgetary appropriation underspent by departments	1,044,460
Excess (shortfall) of tax collections over budget	113,456
Use of free cash (fund balance) as a funding source	( 60,852)
Excess of current year encumbrances to be spent in subsequent year over prior year encumbered appropriations spent in current year	34,358
Other financing uses and timing issues	<u>( 118,248)</u>
Total	<u>\$ 1,745,332</u>

**Proprietary funds.** Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ 10,751,166, a change of \$ 2,170,016 in comparison with the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

## **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$ 30,852. The change was funded through appropriating free cash and provided funding for various departments.

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets year end amounted to \$ 87,276,270 (net of accumulated depreciation), a change of \$ 713,581 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

School construction and repairs	\$ 1,326 thousand
Acquisition of equipment	\$ 1,230 thousand
Purchase of open space	\$ 332 thousand
Purchase of vehicles	\$ 227 thousand

Additional capital asset disclosures can be found in footnote 9 of the accompanying financial statements.

**Change in credit rating.** The Moody's credit rating of Aa3 did not change from the prior year.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 34,574,212, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Bourne's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Finance Director  
Town of Bourne, Massachusetts  
24 Perry Avenue  
Buzzards Bay, Massachusetts 02532

## TOWN OF BOURNE, MASSACHUSETTS

## STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 19,778,018	\$ 7,859,576	\$ 27,637,594
Investments	2,470,639	-	2,470,639
Receivables, net of allowance for uncollectibles:			
Property taxes	1,161,831	-	1,161,831
Excises	327,203	-	327,203
User fees	-	1,832,052	1,832,052
Departmental and other	653,507	2,739	656,246
Intergovernmental	25,370	42,114	67,484
Deposits	1,347,200	-	1,347,200
Other assets	-	20,416	20,416
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	198,959	-	198,959
Intergovernmental	-	269,642	269,642
Prepaid expenses, net of current portion	-	15,312	15,312
Betterments	291,508	303,502	595,010
Restricted cash	-	4,093,202	4,093,202
Capital assets:			
Land and construction in progress	27,231,176	4,217,623	31,448,799
Other capital assets, net of accumulated depreciation	46,166,801	9,660,670	55,827,471
<b>TOTAL ASSETS</b>	<b>99,652,212</b>	<b>28,316,848</b>	<b>127,969,060</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	1,123,824	407,475	1,531,299
Accounts payable	1,274,521	-	1,274,521
Deferred revenue	-	303,502	303,502
Accrued liabilities	2,346,224	79,402	2,425,626
Refunds payable	263,484	-	263,484
Notes payable	6,047,002	1,422,000	7,469,002
Other current liabilities	19,180	-	19,180
Current portion of long-term liabilities:			
Bonds payable	2,956,350	1,407,156	4,363,506
Compensated absence	52,504	8,331	60,835
Noncurrent:			
Bonds payable, net of current portion	25,828,422	4,382,284	30,210,706
Compensated absence, net of current portion	997,578	158,279	1,155,857
Landfill closure and monitoring	-	1,835,191	1,835,191
<b>TOTAL LIABILITIES</b>	<b>40,909,089</b>	<b>10,003,620</b>	<b>50,912,709</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	45,811,270	7,562,062	53,373,332
Restricted for:			
Grants and other statutory restrictions	2,583,033	-	2,583,033
Permanent funds:			
Nonexpendable	36,889	-	36,889
Expendable	55,484	-	55,484
Unrestricted	10,256,447	10,751,166	21,007,613
<b>TOTAL NET ASSETS</b>	<b>\$ 58,743,123</b>	<b>\$ 18,313,228</b>	<b>\$ 77,056,351</b>

See notes to financial statements.

TOWN OF BOURNE, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>						
General government	\$ 2,737,718	\$ 911,928	\$ 862,766	\$ (861,602)	\$ -	\$ (861,602)
Public safety	7,797,487	2,859,077	-	358,983	-	358,983
Education	29,426,153	725,043	1,624,071	(19,824,279)	-	(19,824,279)
Public works	2,415,826	33,469	289,583	(2,083,938)	-	(2,083,938)
Health and human services	829,377	95,089	-	(676,910)	-	(676,910)
Culture and recreation	858,103	158,137	-	(506,078)	-	(506,078)
Employee benefits	10,056,518	-	-	(10,056,518)	-	(10,056,518)
Interest	1,504,735	-	-	(1,504,735)	-	(1,504,735)
Intergovernmental	1,700,608	-	-	(1,700,608)	-	(1,700,608)
Total Governmental Activities	57,326,525	4,818,494	2,776,420	(36,855,685)	-	(36,855,685)
<b>Business-Type Activities:</b>						
Landfill services	10,794,832	13,109,563	-	-	2,314,731	2,314,731
Sewer services	737,108	771,142	-	-	34,034	34,034
Total Business-type Activities	11,531,940	13,880,705	-	-	2,348,765	2,348,765
Total	\$ 68,858,465	\$ 18,699,199	\$ 2,776,420	(36,855,685)	2,348,765	(34,506,920)
<b>General Revenues:</b>						
Property taxes				31,295,949	-	31,295,949
Excises				2,308,686	-	2,308,686
Penalties, interest and other taxes				359,569	-	359,569
Grants and contributions not restricted to specific programs				3,035,836	-	3,035,836
Investment income				910,722	501,260	1,411,982
Miscellaneous				3,277,376	-	3,277,376
Transfers, net				117,958	(117,958)	-
Permanent fund contributions				5,000	-	5,000
Total general revenues, transfers and contributions				41,311,096	383,302	41,694,398
Change in Net Assets				4,455,411	2,732,067	7,187,478
<b>Net Assets:</b>						
Beginning of year, as restated				54,287,712	15,581,161	69,868,873
End of year				\$ 58,743,123	\$ 18,313,228	\$ 77,056,351

See notes to financial statements.

## TOWN OF BOURNE, MASSACHUSETTS

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2007

## ASSETS

	General	Community Preservation Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short-term investments	\$ 9,454,728	\$ 1,776,434	\$ 5,240,235	\$ 16,481,397
Investments	-	2,470,639	-	2,470,639
Receivables, net of allowance for uncollectibles:				
Property taxes	1,642,921	41,446	-	1,684,367
Excises	467,881	-	-	467,881
Departmental and other	1,321,736	-	5,040	1,326,776
Intergovernmental	-	-	25,370	25,370
Other	-	-	291,508	291,508
<b>TOTAL ASSETS</b>	<b>\$ 12,897,266</b>	<b>\$ 4,288,519</b>	<b>\$ 5,562,153</b>	<b>\$ 22,747,938</b>

## LIABILITIES AND FUND BALANCES

Liabilities:				
Warrants payable	\$ 1,123,824	\$ -	\$ -	\$ 1,123,824
Accrued liabilities	1,418,543	-	111,172	1,529,715
Deferred revenues	3,262,228	41,446	296,548	3,600,222
Notes payable	-	-	500,002	500,002
Tax refund payable	263,484	-	-	263,484
Other liabilities	19,180	-	-	19,180
<b>TOTAL LIABILITIES</b>	<b>6,087,259</b>	<b>41,446</b>	<b>907,722</b>	<b>7,036,427</b>
Fund Balances:				
Reserved for:				
Encumbrances and continuing appropriations	811,496	-	-	811,496
Expenditures	1,428,805	-	-	1,428,805
Perpetual (nonexpendable) permanent funds	-	-	36,889	36,889
Unreserved:				
Undesignated, reported in:				
General fund	4,569,706	-	-	4,569,706
Special revenue funds	-	4,247,073	3,864,165	8,111,238
Capital project funds	-	-	697,893	697,893
Permanent funds	-	-	55,484	55,484
<b>TOTAL FUND BALANCES</b>	<b>6,810,007</b>	<b>4,247,073</b>	<b>4,654,431</b>	<b>15,711,511</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 12,897,266</b>	<b>\$ 4,288,519</b>	<b>\$ 5,562,153</b>	<b>\$ 22,747,938</b>

See notes to financial statements.

TOWN OF BOURNE, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET ASSETS OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2007

<b>Total governmental fund balances</b>	<b>\$ 15,711,511</b>
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	73,397,977
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	2,462,698
<ul style="list-style-type: none"><li>• Internal service funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.</li></ul>	2,789,986
<ul style="list-style-type: none"><li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(237,195)
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	<u>(35,381,854)</u>
<b>Net assets of governmental activities</b>	<b>\$ <u>58,743,123</u></b>

See notes to financial statements.

TOWN OF BOURNE, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2007

	General	Community Preservation Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 30,304,298	\$ 899,024	\$ -	\$ 31,203,322
Excises	2,337,949	-	-	2,337,949
Penalties, interest and other taxes	359,569	-	-	359,569
Charges for services	1,774,156	-	2,308,461	4,082,617
Intergovernmental	12,602,075	862,766	5,139,481	18,604,322
Licenses and permits	577,770	-	-	577,770
Fines and forfeitures	134,199	-	-	134,199
Investment income	555,411	173,630	108,539	837,580
Miscellaneous	2,198,389	-	29,868	2,228,257
Total Revenues	<u>50,843,816</u>	<u>1,935,420</u>	<u>7,586,349</u>	<u>60,365,585</u>
<b>Expenditures:</b>				
Current:				
General government	2,017,366	229,246	218,171	2,464,783
Public safety	6,726,810	-	1,626,050	8,352,860
Education	23,346,611	-	6,323,209	29,669,820
Public works	1,681,314	-	626,882	2,308,196
Health and human services	680,928	-	41,380	722,308
Culture and recreation	725,425	-	132,967	858,392
Employee benefits	10,056,518	-	-	10,056,518
Articles	594,348	304,690	-	899,038
Debt service	4,504,837	-	-	4,504,837
Intergovernmental	1,700,608	-	-	1,700,608
Total Expenditures	<u>52,034,765</u>	<u>533,936</u>	<u>8,968,659</u>	<u>61,537,360</u>
Excess (deficiency) of revenues over expenditures	(1,190,949)	1,401,484	(1,382,310)	(1,171,775)
<b>Other Financing Sources (Uses):</b>				
Issuance of debt	-	-	5,547,000	5,547,000
Transfers in	3,242,494	-	282,213	3,524,707
Transfers out	(306,213)	(638,272)	(2,462,264)	(3,406,749)
Total Other Financing Sources (Uses)	<u>2,936,281</u>	<u>(638,272)</u>	<u>3,366,949</u>	<u>5,664,958</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,745,332	763,212	1,984,639	4,493,183
Fund Equity, at Beginning of Year, as restated	<u>5,064,675</u>	<u>3,483,861</u>	<u>2,669,792</u>	<u>11,218,328</u>
Fund Equity, at End of Year	<u>\$ 6,810,007</u>	<u>\$ 4,247,073</u>	<u>\$ 4,654,431</u>	<u>\$ 15,711,511</u>

See notes to financial statements.



TOWN OF BOURNE, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2007

**NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS**      \$ 4,493,183

- 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:

Capital outlay purchases	3,126,565
Depreciation	(1,925,434)

- 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. 87,274

- 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 effect on net assets:

Issuance of debt	(5,547,000)
Repayments of debt	2,977,630

- In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 22,471

- Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. 9,603

- Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with Governmental Activities. 1,211,119

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**      \$ 4,455,411

See notes to financial statements.

TOWN OF BOURNE, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues and Other Sources:</b>				
Taxes	\$ 30,190,842	\$ 30,190,842	\$ 30,190,842	\$ -
Excise	2,500,000	2,500,000	2,337,949	(162,051)
Penalties, interest and other taxes	215,000	215,000	359,569	144,569
Charges for services	1,670,000	1,670,000	1,774,156	104,156
Intergovernmental	9,183,231	9,183,231	9,302,250	119,019
Licenses and permits	562,000	562,000	577,770	15,770
Fines and forfeits	83,450	83,450	134,199	50,749
Investment income	364,423	364,423	555,411	190,988
Miscellaneous	1,929,431	1,929,431	2,198,389	268,958
Transfers in	3,242,494	3,242,494	3,242,494	-
Free cash	30,000	60,852	60,852	-
Total Revenues and Other Sources	49,970,871	50,001,723	50,733,881	732,158
<b>Expenditures and Other Uses:</b>				
General government	2,093,552	2,093,552	2,015,836	77,716
Public safety	7,021,054	7,021,054	6,701,328	319,726
Education	19,948,198	19,978,948	19,959,185	19,763
Public works	1,744,075	1,744,075	1,681,247	62,828
Health and human services	705,470	705,470	683,939	21,531
Culture and recreation	733,237	733,237	713,602	19,635
Debt service	4,428,465	4,428,465	4,383,683	44,782
Intergovernmental	1,718,740	1,718,740	1,700,608	18,132
Employee benefits	10,399,652	10,399,652	10,063,774	335,878
Articles	869,309	869,411	744,942	124,469
Transfers out	306,213	306,213	306,213	-
Other uses	2,906	2,906	2,906	-
Total Expenditures and Other Uses	49,970,871	50,001,723	48,957,263	1,044,460
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,776,618	\$ 1,776,618

See notes to financial statements.

## TOWN OF BOURNE, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF NET ASSETS

JUNE 30, 2007

	Business-Type Activities Enterprise Funds			Governmental Activities
	Landfill Fund	Sewer Fund	Total	Internal Service Funds
<b><u>ASSETS</u></b>				
Current:				
Cash and short-term investments	\$ 7,609,990	\$ 249,586	\$ 7,859,576	\$ 3,296,621
User fees, net of allowance for uncollectibles	1,728,823	103,229	1,832,052	-
Betterments, net of allowance for uncollectibles	-	2,739	2,739	-
Intergovernmental receivables	-	42,114	42,114	-
Prepaid expense	20,416	-	20,416	-
Deposits	-	-	-	1,347,200
Total current assets	9,359,229	397,668	9,756,897	4,643,821
Noncurrent:				
Intergovernmental receivable, net of current portion	-	269,642	269,642	-
Prepaid expenses, net of current portion	15,312	-	15,312	-
Betterments, net of current portion	-	303,502	303,502	-
Restricted cash	4,093,202	-	4,093,202	-
Capital assets:				
Land and construction in progress	4,217,623	-	4,217,623	-
Other capital assets, net of accumulated depreciation	4,760,892	4,899,778	9,660,670	-
Total noncurrent assets	13,087,029	5,472,922	18,559,951	-
<b>TOTAL ASSETS</b>	<b>22,446,258</b>	<b>5,870,590</b>	<b>28,316,848</b>	<b>4,643,821</b>
<b><u>LIABILITIES</u></b>				
Current:				
Warrants payable	403,014	4,461	407,475	-
Accounts payable	-	-	-	1,274,521
Deferred revenue	-	303,502	303,502	-
Accrued liabilities	78,986	416	79,402	579,314
Notes payable	1,422,000	-	1,422,000	-
Current portion of long-term liabilities:				
Bonds payable	1,321,000	86,156	1,407,156	-
Compensated absence	7,710	621	8,331	-
Total current liabilities	3,232,710	395,156	3,627,866	1,853,835
Noncurrent:				
Bonds payable, net of current portion	3,883,000	499,284	4,382,284	-
Compensated absence, net of current portion	146,487	11,792	158,279	-
Closure and monitoring	1,835,191	-	1,835,191	-
Total noncurrent liabilities	5,864,678	511,076	6,375,754	-
<b>TOTAL LIABILITIES</b>	<b>9,097,388</b>	<b>906,232</b>	<b>10,003,620</b>	<b>1,853,835</b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	3,247,724	4,314,338	7,562,062	-
Unrestricted	10,101,146	650,020	10,751,166	2,789,986
<b>TOTAL NET ASSETS</b>	<b>\$ 13,348,870</b>	<b>\$ 4,964,358</b>	<b>\$ 18,313,228</b>	<b>\$ 2,789,986</b>

See notes to financial statements.

## TOWN OF BOURNE, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities Enterprise Funds			Governmental Activities
	Landfill Fund	Sewer Fund	Total	Internal Service Fund
<b>Operating Revenues:</b>				
Charges for services	\$ 13,109,563	\$ 771,142	\$ 13,880,705	\$ -
Employee and employer contributions	-	-	-	9,621,965
Total Operating Revenues	13,109,563	771,142	13,880,705	9,621,965
<b>Operating Expenses:</b>				
Operating expenses	8,982,802	468,602	9,451,404	-
Depreciation	1,219,199	265,039	1,484,238	-
Employee benefits	-	-	-	8,483,989
Closure costs	353,624	-	353,624	-
Total Operating Expenses	10,555,625	733,641	11,289,266	8,483,989
Operating Income (Loss)	2,553,938	37,501	2,591,439	1,137,976
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	491,751	9,509	501,260	73,143
Interest expense	(200,993)	(3,467)	(204,460)	-
Loss on disposition of fixed asset	(38,214)	-	(38,214)	-
Total Nonoperating Revenues (Expenses), Net	252,544	6,042	258,586	73,143
Income (Loss) Before Transfers	2,806,482	43,543	2,850,025	1,211,119
<b>Transfers:</b>				
Transfers in	-	33,452	33,452	-
Transfers out	-	(151,410)	(151,410)	-
Change in Net Assets	2,806,482	(74,415)	2,732,067	1,211,119
Net Assets at Beginning of Year	10,542,388	5,038,773	15,581,161	1,578,867
Net Assets at End of Year	\$ 13,348,870	\$ 4,964,358	\$ 18,313,228	\$ 2,789,986

See notes to financial statements.

## TOWN OF BOURNE, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Landfill Fund	Sewer Fund	Total	
<b><u>Cash Flows From Operating Activities:</u></b>				
Receipts from customers and users	\$ 13,642,383	\$ 793,767	\$ 14,436,150	\$ 9,621,965
Payments to vendors and employees	(7,131,673)	(469,977)	(7,601,650)	-
Payments for interfund service provided	(2,586,490)	-	(2,586,490)	-
Payments of employee benefits and expenses	-	-	-	(8,492,382)
Net Cash Provided By Operating Activities	3,924,220	323,790	4,248,010	1,129,583
<b><u>Cash Flows From Non Capital and Related Financing Activities:</u></b>				
Transfers out	-	(151,410)	(151,410)	-
Net Cash (Used For) Non Capital and Related Financing Activities	-	(151,410)	(151,410)	-
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>				
Transfers in	-	33,452	33,452	-
Proceeds from issuance of bonds	-	-	-	-
Proceeds from issuance of notes	1,422,000	-	1,422,000	-
Acquisition and construction of capital assets	(1,034,902)	-	(1,034,902)	-
Principal payments on bonds	(1,324,000)	(83,293)	(1,407,293)	-
Payments on notes	(500,000)	-	(500,000)	-
Interest expense	(200,993)	(3,709)	(204,702)	-
Intergovernmental subsidy	-	40,342	40,342	-
Net Cash (Used For) Capital and Related Financing Activities	(1,637,895)	(13,208)	(1,651,103)	-
<b><u>Cash Flows From Investing Activities:</u></b>				
Investment income	491,751	9,509	501,260	73,143
Net Cash Provided By Investing Activities	491,751	9,509	501,260	73,143
Net Change in Cash and Short-Term Investments	2,778,076	168,681	2,946,757	1,202,726
Cash and Short-Term Investments, Beginning of Year	8,925,116	80,905	9,006,021	2,093,895
Cash and Short-Term Investments, End of Year	\$ 11,703,192 *	\$ 249,586	\$ 11,952,778	\$ 3,296,621
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>				
Operating income (loss)	\$ 2,553,938	\$ 37,501	\$ 2,591,439	\$ 1,137,976
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,219,199	265,039	1,484,238	-
Changes in assets and liabilities:				
User fees	532,820	19,692	552,512	-
Deposits	-	-	-	(104,800)
Betterments	-	2,933	2,933	-
Other assets	(10,832)	-	(10,832)	-
Warrants and accounts payable	(248,872)	(1,966)	(250,838)	320,297
Accrued liabilities	(12,893)	591	(12,302)	(223,890)
Closure liability	(109,140)	-	(109,140)	-
Net Cash Provided By Operating Activities	\$ 3,924,220	\$ 323,790	\$ 4,248,010	\$ 1,129,583

\* = includes Restricted Cash

See notes to financial statements.

TOWN OF BOURNE, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2007

	Private Purpose Trust Funds	Agency Funds
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ <u>30,607</u>	\$ <u>464,627</u>
Total Assets	30,607	464,627
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Other liabilities	<u>-</u>	<u>464,627</u>
Total Liabilities	<u>-</u>	<u>464,627</u>
<b><u>NET ASSETS</u></b>		
Total net assets held in trust for special purposes	\$ <u><u>30,607</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

TOWN OF BOURNE, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Investment Income	\$ <u>1,001</u>
Total additions	1,001
<b>Deductions:</b>	
Administrative expenses	<u>400</u>
Total deductions	<u>400</u>
Net increase	601
<b>Net assets:</b>	
Beginning of year	<u>30,006</u>
End of year	\$ <u><u>30,607</u></u>

See notes to financial statements.

# TOWN OF BOURNE, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Bourne (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2007, it was determined that no entities met the required GASB-39 criteria of component units.

#### B. Government-Wide and Fund Financial Statements

##### Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given 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 (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

##### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual govern-



mental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *Community Preservation Act fund* represents funds set aside for the acquisition of conservation land.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following major proprietary funds:

- Landfill enterprise
- Sewer enterprise

The self-insured employee health program is reported as an internal service fund in the accompanying financial statements.

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

#### *D. Cash and Short-Term Investments*

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under

the caption "cash and short-term investments". The interest earnings attributable to each fund type is included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

*E. Investments*

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

*F. Property Tax Limitations*

Legislation known as "Proposition 2 1/2" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2007 tax levy reflected an excess capacity of \$ 28,322.

*G. Inventories*

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand at year end.

*H. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Sewer/landfill/town infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

*I. Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

*J. Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

*K. Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*L. Use of Estimates*

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

## **2. Stewardship, Compliance and Accountability**

### **A. Budgetary Information**

At the annual town meeting, the Board of Selectmen present an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

### **B. Budgetary Basis**

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

### **C. Budget/GAAP Reconciliation**

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting prin

ciples (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 50,843,816	\$ 52,034,765
Other financing sources/uses (GAAP basis)	<u>3,242,494</u>	<u>306,213</u>
Subtotal (GAAP Basis)	54,086,310	52,340,978
Adjust tax revenue to accrual basis	( 113,456)	-
Reverse beginning of year appro- priation carryforwards from expenditures	-	( 777,138)
To book current year appropria- tion carryforwards	-	811,496
To record raising of prior years' overlay deficits	-	2,906
To record use of free cash	60,852	-
To reverse the effect of non- budgeted State contributions for teachers retirement	( 3,299,825)	( 3,299,825)
Record timing differences	<u>-</u>	<u>( 121,154)</u>
Budgetary basis	\$ <u>50,733,881</u>	\$ <u>48,957,263</u>

*D. Deficit Fund Equity*

The Town's special revenue and capital project funds reflect various individual deficit fund balance accounts which will be funded by future receipts and bond issuances.

### 3. Cash and Short-Term Investments

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Massachusetts general law Chapter 44, section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2007, \$ 18,127,898 of the Town's bank balance of \$ 32,980,514 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

### 4. Investments

#### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below is the actual rating as of year end for each investment of the Town:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End AAA</u>
Mutual funds	\$ 445,062	N/A	\$ 445,062	\$ -
Federal agency securities	<u>2,025,577</u>	N/A	<u>-</u>	<u>2,025,577</u>
Total investments	\$ <u>2,470,639</u>		\$ <u>445,062</u>	\$ <u>2,025,577</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

**B. Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have policies for custodial credit risk.

**C. Concentration of Credit Risk**

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

Federal National Mortgage Association	31.5%
Federal Home Loan Mortgage	13.4%

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>				
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	<u>Exempt</u>
Debt Related Securities:						
Mutual funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 445,062
Federal agency securities	<u>2,025,577</u>	<u>2,025,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>2,025,577</u>	\$ <u>2,025,577</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>445,062</u>

**E. Foreign Currency Risk**

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

**5. Restricted Cash**

Restricted cash of the Landfill Enterprise consists of the following at June 30, 2007:



Reserved for continuing operations	\$ 1,394,369
Reserved for encumbrances	12,337
Reserved for expenditures	355,000
Reserved for closure and monitoring	1,835,191
Additional closure and monitoring designated by Facility	125,345
Reserved for landfill compactor	53,425
Reserved for bulldozer	67,535
Reserved for scale	<u>250,000</u>
Total Restricted Cash	\$ <u>4,093,202</u>

## 6. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2007 consist of the following (in thousands):

Real Estate		
2007	\$ 1,059	
2006	157	
Prior	( <u>6</u> )	
		\$ 1,210
Personal Property		
2007	33	
2006	26	
2005	20	
2004	23	
Prior	<u>79</u>	
		181
Tax Liens		221
Deferred Taxes		28
Taxes in litigation		<u>3</u>
Total		\$ <u>1,643</u>

## 7. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 280	\$ -
Excises	141	-
Utilities	-	55
Other	674	-

## 8. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2007.

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows (in thousands):

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 33,821	\$ 25,691	\$ -	\$ 59,512
Machinery, equipment, and furnishings	8,190	1,520	-	9,710
Infrastructure *	<u>3,252</u>	<u>284</u>	<u>-</u>	<u>3,536</u>
Total capital assets, being depreciated	45,263	27,495	-	72,758
Less accumulated depreciation for:				
Buildings and improvements	(18,113)	( 1,078)	-	(19,191)
Machinery, equipment, and furnishings	( 5,741)	( 755)	-	( 6,496)
Infrastructure	<u>( 812)</u>	<u>( 92)</u>	<u>-</u>	<u>( 904)</u>
Total accumulated depreciation	<u>(24,666)</u>	<u>( 1,925)</u>	<u>-</u>	<u>(26,591)</u>
Total capital assets, being depreciated, net	20,597	25,570	-	46,167
Capital assets, not being depreciated:				
Land	23,277	332	-	23,609
Construction in progress	<u>28,323</u>	<u>852</u>	<u>(25,553)</u>	<u>3,622</u>
Total capital assets, not being depreciated	<u>51,600</u>	<u>1,184</u>	<u>(25,553)</u>	<u>27,231</u>
Governmental activities capital assets, net	<u>\$ 72,197</u>	<u>\$ 26,754</u>	<u>\$ (25,553)</u>	<u>\$ 73,398</u>

\* The Town has fully reported governmental infrastructure assets acquired between 1980 - 2002 in accordance with GASB 34 final implementation and the beginning balance was restated to include prior year infrastructure assets.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 11,400	\$ 855	\$ -	\$ 12,255
Machinery, equipment, and furnishings	5,834	650	(660)	5,824
Infrastructure	7,327	-	-	7,327
Other	<u>1,332</u>	<u>-</u>	<u>-</u>	<u>1,332</u>
Total capital assets, being depreciated	25,893	1,505	(660)	26,738
Less accumulated depreciation for:				
Buildings and improvements	( 8,611)	( 772)	-	( 9,383)
Machinery, equipment, and furnishings	( 4,096)	( 434)	622	( 3,908)
Infrastructure	( 2,648)	( 185)	-	( 2,833)
Other	<u>( 882)</u>	<u>( 70)</u>	<u>-</u>	<u>( 952)</u>
Total accumulated depreciation	(16,237)	(1,461)	622	(17,076)
Total capital assets, being depreciated, net	9,656	44	( 38)	9,662
Capital assets, not being depreciated:				
Land	2,210	-	-	2,210
Construction in progress	<u>2,500</u>	<u>56</u>	<u>(549)</u>	<u>2,007</u>
Total capital assets, not being depreciated	<u>4,710</u>	<u>56</u>	<u>(549)</u>	<u>4,217</u>
Business-type activities capital assets, net	\$ <u>14,366</u>	\$ <u>100</u>	\$ <u>(587)</u>	\$ <u>13,879</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

**Governmental Activities:**

General government	\$ 108
Public safety	368
Education	1,070
Public works	196
Culture and recreation	86
Health and human services	<u>97</u>

Total depreciation expense - governmental activities \$ 1,925

**Business-Type Activities:**

Landfill	\$ 1,196
Sewer	<u>265</u>

Total depreciation expense - business-type activities \$ 1,461

## 10. Warrants and Accounts Payable

Warrants payable represent 2007 expenditures paid by July 15, 2007 as permitted by law. Accounts payable represent additional 2007 expenditures paid after July 15, 2007.

## 11. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2007 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

## 12. Notes Payable

The Town had the following notes outstanding at June 30, 2007:

<u>Governmental Notes Payable</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2007</u>
Notes payable	4.50%	07/11/06	07/11/07	\$ 1,550,000
Notes payable	4.50%	07/11/06	07/11/07	500,000
Notes payable	4.50%	07/11/06	07/11/07	25,000
Notes payable	4.50%	07/11/06	07/11/07	52,000
Notes payable	4.50%	07/11/06	07/11/07	30,000
Notes payable	4.50%	07/11/06	07/11/07	245,250
Notes payable	4.50%	07/11/06	07/11/07	75,500
Notes payable	4.50%	07/11/06	07/11/07	255,252
Notes payable	3.83%	06/29/07	07/11/07	950,000
Notes payable	4.50%	07/11/06	07/11/07	238,000
Notes payable	4.50%	07/11/06	07/11/07	264,000
Notes payable	4.50%	07/11/06	07/11/07	75,000
Notes payable	4.50%	07/11/06	07/11/07	75,000
Notes payable	4.50%	07/11/06	07/11/07	140,000
Notes payable	4.50%	07/11/06	07/11/07	72,000
Notes payable	4.50%	07/11/06	07/11/07	725,000
Notes payable	4.50%	07/11/06	07/11/07	35,000
Notes payable	4.50%	07/11/06	07/11/07	140,000
Notes payable	4.50%	07/11/06	07/11/07	100,000
Notes payable	3.83%	06/29/07	01/25/08	<u>500,000</u>
Total Governmental Notes Payable				\$ <u>6,047,002</u>

<u>Business Notes Payable</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2007</u>
Notes payable	4.50%	07/11/06	07/11/07	\$ 447,000
Notes payable	4.50%	07/11/06	07/11/07	300,000
Notes payable	3.83%	06/29/07	07/11/07	250,000
Notes payable	3.83%	06/29/07	07/11/07	<u>425,000</u>
Total Business Notes Payable				\$ <u>1,422,000</u>

The following summarizes activity in notes payable during fiscal year 2007 (in thousands):

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Governmental	\$ 3,618	\$ 6,047	\$ (3,618)	\$ 6,047
Business	<u>500</u>	<u>1,422</u>	<u>( 500)</u>	<u>1,422</u>
Total	\$ <u>4,118</u>	\$ <u>7,469</u>	\$ <u>(4,118)</u>	\$ <u>7,469</u>

### 13. Long-Term Debt

#### A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities</u>	<u>Interest Rate(s)%</u>	<u>Amount Outstanding as of June 30, 2007</u>
Bourne sewerage	10/15/10	6.00	\$ 196,600
Land acquisition - conservation	12/15/07	7.50	290,000
High school project - addition	12/15/08	7.40	174,000
High school project - reconstruction	12/15/08	6.70	566,000
High school project - addition	10/15/09	7.50	98,000
High school project - addition	10/15/09	7.50	37,000
Land acquisitions	03/15/08	5.38	6,000
Town hall renovations	03/15/08	5.38	18,000
Computer hardware	03/15/08	5.38	7,000
Storage tanks	03/15/08	5.38	8,000
Library remodeling	03/15/08	5.38	23,000
Coady roof	05/15/10	5.45	51,000
Town hall renovations	05/15/16	5.45	860,000
Hoxie roof	05/15/08	5.45	10,000
High school roof	05/15/08	5.45	10,000
Tennis court	05/15/12	5.45	10,000
Middle school	06/15/21	6.00	14,420,000
Community building	07/15/22	3.54	3,950,000
Library roof	07/15/17	3.18	140,000
Police station remodeling	07/15/13	2.97	42,000
Fire engine E-123	07/15/07	2.41	68,000
Open space purchase	07/15/21	3.53	1,845,000
Open space purchase	07/15/21	3.52	1,091,000
Open space purchase	07/15/22	3.57	841,000

(continued)

(continued)

	Serial	Interest	Amount Outstanding as of
<u>Governmental Activities:</u>	<u>Maturities</u>	<u>Rate(s)%</u>	<u>June 30, 2007</u>
Community bldg. land purchase	07/15/20	3.47	268,000
Septic system	08/01/18	0.00	144,440
DPW packer vehicle	01/15/09	3.00	65,000
School computers	01/15/09	3.00	85,000
Police station roof	01/15/09	3.00	31,000
Fire rescue vehicle	01/15/09	3.00	64,000
Septic loan MWPAT	08/01/23	0.00	166,258
School plans	01/15/25	3.85	330,000
Land acquisition	01/15/25	3.86	2,650,000
Roads	01/15/10	3.44	30,000
Septic loan	08/01/24	0.00	<u>189,474</u>
Total Governmental Activities Bonds			<u>\$ 28,784,772</u>

	Serial	Interest	Amount Outstanding as of
<u>Business-Type Activities:</u>	<u>Maturities</u>	<u>Rate(s)%</u>	<u>June 30, 2007</u>
Sewerage	03/15/08	5.38	\$ 13,000
MWPAT	08/01/13	0.00	498,641
MWPAT	06/01/18	3.60	73,799
Lining and capping landfill	03/15/08	5.38	50,000
Landfill water supply	05/15/10	5.45	150,000
Landfill road	05/15/09	5.45	24,000
Landfill water main	05/15/16	5.45	55,000
Landfill lining	07/15/08	2.77	573,000
Landfill capping	07/15/08	2.76	284,000
Landfill architect and engineering fees ctr	07/15/08	2.77	93,000
Plans for landfill processing ctr.	01/15/10	2.51	60,000
Landfill dropoff ctr.	01/15/10	2.51	138,000
Landfill bailing equipment	01/15/10	2.51	180,000
Landfill ph3 stage 3 liner & design	01/15/10	2.51	840,000
Landfill lining	01/15/10	2.51	57,000
Landfill liner	01/15/16	3.77	<u>2,700,000</u>
Total Business-Type Activities Bonds			<u>\$ 5,789,440</u>

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2007 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 2,956,350	\$ 1,197,731	\$ 4,154,081
2009	2,290,351	1,085,371	3,375,722
2010	2,172,190	979,763	3,151,953
2011	1,923,630	905,116	2,828,746
2012	1,874,480	829,964	2,704,444
2013 - 2017	9,218,069	2,969,466	12,187,535
2018 - 2022	7,584,287	905,465	8,489,752
2023 - 2027	<u>765,415</u>	<u>43,100</u>	<u>808,515</u>
Total	\$ <u>28,784,772</u>	\$ <u>8,915,976</u>	\$ <u>37,700,748</u>

  

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,407,156	\$ 176,420	\$ 1,583,576
2009	1,344,267	133,104	1,477,371
2010	863,627	97,877	961,504
2011	393,258	71,731	464,989
2012	398,158	60,877	459,035
2013- 2017	<u>1,382,974</u>	<u>125,550</u>	<u>1,508,524</u>
Total	\$ <u>5,789,440</u>	\$ <u>665,559</u>	\$ <u>6,454,999</u>

*C. Changes in General Long-Term Liabilities*

During the year ended June 30, 2007, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/06</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/07</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/07</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 31,762	\$ -	\$ (2,978)	\$ 28,784	\$ (2,956)	\$ 25,828
Compensated absence	<u>1,060</u>	<u>-</u>	<u>( 10)</u>	<u>1,050</u>	<u>( 52)</u>	<u>998</u>
Totals	\$ <u>32,822</u>	\$ <u>-</u>	\$ <u>(2,988)</u>	\$ <u>29,834</u>	\$ <u>(3,008)</u>	\$ <u>26,826</u>

	Total Balance <u>7/1/06</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/07</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/07</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 7,197	\$ -	\$ (1,407)	\$ 5,790	\$ (1,407)	\$ 4,383
Compensated absence	152	15	-	167	( 9)	158
Closure and monitoring	<u>1,944</u>	<u>-</u>	<u>( 109)</u>	<u>1,835</u>	<u>-</u>	<u>1,835</u>
Totals	\$ <u>9,293</u>	\$ <u>15</u>	\$ <u>(1,516)</u>	\$ <u>7,792</u>	\$ <u>(1,416)</u>	\$ <u>6,376</u>

#### 14. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Facility to place a final cover on each landfill section when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after final closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Facility reports a portion of these closure and postclosure care costs as a liability over the useful life of each cell that is accepting waste. The Facility meets financial assurance requirements of the EPA by designating a portion of retained earnings by Town Meeting vote.

Closure and monitoring liability consists of the following at June 30,:

	<u>2007</u>	<u>2006</u>
Closure	\$ 918,211	\$ 1,066,351
Postclosure	516,980	477,980
Contingency	<u>400,000</u>	<u>400,000</u>
Closure and monitoring	\$ <u>1,835,191</u>	\$ <u>1,944,331</u>

Closure and postclosure cost expenses consist of the following for the year ended June 30:

	<u>2007</u>	<u>2006</u>
Closure	\$ 314,624	\$ 461,289
Postclosure monitoring	<u>39,000</u>	<u>56,927</u>
Closure and postclosure costs	\$ <u>353,624</u>	\$ <u>518,216</u>

These amounts are based on what it would cost to perform all closure and postclosure care in fiscal 2007. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The Facility expects to use Phases 2 through 5 one at a time through the year 2024. Actual time to reach capacity may vary due to volume of usage. The Facility will recognize the remaining total estimated cost for all Phases for closure and postclosure care of \$ 8 million as the remaining capacity is filled.

#### 15. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors, contributors or conditions are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original



restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

## 16. **Subsequent Events**

### Debt

Subsequent to June 30, 2007, the Town has incurred the following debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General obligation bonds	\$ 6,969,000	4.25%	7/1/07	7/1/27

The proceeds of the bonds were used to retire \$ 6,969,000 of bond anticipation notes payable.

## 17. **Reserves of Fund Equity**

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves and designations are reported at June 30, 2007:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Expenditures - Represents the amount of fund balance appropriated to be used for expenditures in the subsequent year budget.

Reserved for Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

## 18. **Commitments and Contingencies**

Outstanding Lawsuits - There are several pending lawsuits in which the Town is involved. The Town’s management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute

a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**19. Post-Employment Health Care and Life Insurance Benefits**

The Town has accepted Chapter 32B of Massachusetts General Laws to provide for health care and life insurance benefits to retirees, their dependents, or their survivors. These benefits are provided through the Town's group plans. The cost of these benefits are included in the total cost of benefits for both active and retired employees. The number of participants currently eligible to receive benefits, and cost of benefits for retirees, their dependents, or their survivors for the year ended June 30, 2007 was not available.

**20. Pension Plan**

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds.

*A. Plan Description*

The Town contributes to the Barnstable County Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases, to the State legislature. The System issues a publicly available financial report which can be obtained through the Barnstable County Retirement System, 99 Willow Street, Yarmouthport, MA 02675.

*B. Funding Policy*

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2007, 2006 and 2005 were \$ 1,807,778, \$ 1,754,976, and \$ 1,597,572, respectively, which were equal to its annual required contributions for each of these years.

### C. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$ 30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%*
January 1, 1984 - June 30, 1996	8%*
July 1, 1996 - June 30, 2001	9%*
Beginning July 1, 2001	11%

\* Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$ 30,000.

In fiscal year 2007, the Commonwealth of Massachusetts contributed \$ 3,299,825 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

## 21. Self Insurance

The Town self-insures against claims for most employee health coverage. Annual estimated requirements for claims are provided in the Town's annual operating budget.

The Town contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the Town is liable for claims up to \$ 75,000 per individual. The claims liability represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year end.

Changes in the aggregate liability for claims for the year ended June 30, 2007 are as follows:

	<u>Health Coverage</u>
Claims liability, July 1, 2006	\$ 482,907
Claims incurred/recognized in fiscal year 2007	8,483,989
Claims paid in fiscal year 2007	<u>(8,387,582)</u>
Claims liability, June 30, 2007	\$ <u>579,314</u>

## 22. Risk Management

The government 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 government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

## 23. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2007, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity June 30, 2006 (as previously reported)	<u>Reclassification</u>	Fund Equity June 30, 2006 (as restated)
Nonmajor funds	\$ 5,033,203	\$ (2,363,411)	\$ 2,669,792
School Capital Project	<u>(2,363,411)</u>	<u>2,363,411</u>	<u>-</u>
Total	\$ <u>2,669,792</u>	\$ <u>-</u>	\$ <u>2,669,792</u>

## 24. Beginning Net Asset Restatement

In fiscal year 2007, the Town was required to capitalize and record fixed assets pertaining to infrastructure to comply with tier two status for GASB 34 reporting. The following is a summary of restatements affecting the July 1, 2006 balances.

	<u>Government-Wide Governmental Activities</u>
Beginning Net Assets, as previously recorded	\$ 52,849,993
Capital asset additions for infrastructure, net of accumulated depreciation	<u>1,437,719</u>
Beginning Net Assets, as restated	\$ <u><u>54,287,712</u></u>