

TOWN OF BOURNE, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2016

Honorable Board of Selectmen
Town of Bourne, Massachusetts

In planning and performing our audit of the financial statements of the Town of Bourne, Massachusetts (Town) as of and for the year ended June 30, 2016, 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, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses that are opportunities to strengthen your internal control and improve the efficiency of your operations. We also want to make you aware of a recently issued accounting standard that will significantly impact your financial statements in future years. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated December 28, 2016 on the financial statements of the Town.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with various Town personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The Town's written responses to the matters identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Board of Selectmen, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Boston, Massachusetts
December 28, 2016

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TOWN OF BOURNE, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2015

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Comments and Recommendations

Student Activity Funds

Comment

During fiscal year 2016, we performed a separate agreed-upon procedures engagement related to the School Department's student activity funds. The purpose of the engagement was to assist the School Department determine whether its student activity funds were being administered in accordance with the Massachusetts Student Activity Law (Massachusetts General Law (MGL) Chapter 71, Section 47) for the period July 1, 2014 through June 30, 2015.

The detailed results and recommendations from the procedures we performed are documented in our report dated September 23, 2016. Our report, among other things, identified the following deficiencies:

1. Non-student activities (i.e., scholarship funds, lost library books, supplies, etc.) that are required to be accounted for directly by the Town (e.g., deposited with the Treasurer and initially processed through the Town's general ledger) are being accounted for in the student activity funds.
2. Bank reconciliations are not being performed.
3. Reconciliations of the total student activity funds maintained by the School Department to the Town's general ledger are not performed.
4. Documentation supporting all disbursements was not maintained on file.

Recommendation

We recommend the School Department implement the recommendations outlined in our report dated September 23, 2016.

Chapter 90 Highway Grants

Comment

The Town maintains a Chapter 90 fund on its general ledger to account for roadway construction projects approved and paid for by the Commonwealth of Massachusetts. The Chapter 90 fund is a reimbursable grant program in which the Town is required to expend funds first, and is subsequently reimbursed based on requests submitted to the Massachusetts Highway Department.

We identified Chapter 90 expenditures incurred for the period August 2015 through June 2016, totaling approximately \$495,000, were not requested for reimbursement until August 15, 2016. The lack of timely requests has a negative impact on investment income and could have a negative impact on the calculation of free cash.

Recommendation

We recommend procedures be implemented to request Chapter 90 reimbursements timely.

Other Postemployment Benefits Accounting and Financial Reporting

Comment

In June of 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans other than Pension Plans, and Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans other than Pension Plans, which establish new financial reporting requirements for governments that provide other postemployment benefits (OPEB) to its employees and retirees.

The implementation of these Statements will represent a significant change in the accounting and reporting of OPEB expense and the related liability. The implementation of these Statements will:

- Require the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position
- Require that projections of benefits payments incorporate the effects of projected salary changes and service credits, as well as projected automatic postemployment benefit changes
- Require the use of the "entry age" actuarial cost allocation method, with each period's service cost determined by a level percentage of pay (referred to as attribution method)
- Expand OPEB related note disclosures
- Expand OPEB related required supplementary information disclosures

Given the significance of the net OPEB liability, the financial reporting impact under the new standard will significantly affect the Town's financial statements.

It should be noted that the implementation of GASB Statement No. 74 and 75 are strictly financial reporting standards and do not constitute a state or federal mandate regarding the funding of the net OPEB obligation.

The Town's required implementation date of GASB Statements No. 74 and 75 are fiscal year 2017 and fiscal year 2018, respectively.

Recommendation

We recommend management continue to familiarize itself with GASB Statements No. 74 and 75 to prepare for their implementation.