

TOWN OF WARE, MASSACHUSETTS

**Report on the Examination
Of Basic Financial Statements**

For the Year Ended June 30, 2015

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Ware, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ware, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Ware, Massachusetts, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan and other post employment benefit plan schedules as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ware, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2016, on our consideration of the Town of Ware, 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 to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Ware, Massachusetts' internal control over financial reporting and compliance.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

March 25, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Ware, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$4,497,279 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$6,135,491 a decrease of \$1,638,212 (27%).
- As required by GASB Statement No. 68, in fiscal year 2015 the Town recognized their total net pension liability of \$16,009,732 along with a deferred outflow related to pension of \$507,858 and a deferred inflow related to pension of \$44,159 on the statement of net position for the first time.
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$3,083,870, a decrease of \$889,640 (22%) in comparison with prior year.
- The General Fund's total fund balance decreased \$327,332 (13%) to \$2,281,756. The ending General Fund balance is 8% of revenues and transfers in and 8% of expenditures.
- Total long term liabilities of the Town increased by \$1,163,715 (3%) to \$39,302,757 during the fiscal year. This change was mainly the result of an increase in the other post employment benefits (OPEB) liability of \$1,340,894.
- The Town had General Fund free cash certified by the Department of Revenue in the amount of \$610,521. The key factors that attributed to the free cash amount for fiscal year 2015 were unexpended/unencumbered appropriations of (\$132,303), excess over budget – State and local receipts of \$528,300.
- The Town's enterprise funds certified free cash is as follows:
 - Sewer fund \$ 250,182.
 - Water Fund \$ 709,673.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Ware's basic financial statements. These basic financial statements are comprised of 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 finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the net difference between them reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes 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, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activities include the water 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 statements focus on *near-term inflows 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 financial 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 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 decision. 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*.

The Town of Ware adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains one type of proprietary fund. *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 water activities.

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 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.

Financial Highlights

Statement of Net Position Highlights

	Governmental Activities		
	2015	2014	Change
Assets:			
Current assets	\$ 8,751,345	\$ 8,531,385	\$ 219,960
Noncurrent assets (excluding capital assets)	2,254,092	2,947,728	(693,636)
Capital assets	26,071,832	26,781,664	(709,832)
Total assets	37,077,269	38,260,777	(1,183,508)
Deferred Outflows of Resources:			
Deferred outflows related to pensions	472,948	-	472,948
Liabilities:			
Current liabilities (excluding debt and leases)	2,073,795	1,801,291	272,504
Current debt including leases	2,312,505	1,981,005	331,500
Noncurrent liabilities (excluding debt and leases)	26,719,244	24,876,355	1,842,889
Noncurrent debt including leases	5,515,355	6,805,730	(1,290,375)
Total liabilities	36,620,899	35,464,381	1,156,518
Deferred Inflows of Resources:			
Deferred inflows related to pensions	41,123	-	41,123
Net Position:			
Net investment in capital assets	21,670,820	22,087,641	(416,821)
Restricted	2,258,911	2,457,857	(198,946)
Unrestricted	(23,041,536)	(21,749,102)	(1,292,434)
Total net position	\$ 888,195	\$ 2,796,396	\$ (1,908,201)

	Business-Type Activities		
	2015	2014	Change
Assets:			
Current assets	\$ 1,797,037	\$ 1,505,787	\$ 291,250
Capital assets	4,462,031	4,507,969	(45,938)
Total assets	6,259,068	6,013,756	245,312
Deferred Outflows of Resources:			
Deferred outflows related to pensions	34,910	-	34,910
Liabilities:			
Current liabilities (excluding debt)	145,560	86,124	59,436
Current debt	103,000	120,000	(17,000)
Noncurrent liabilities (excluding debt)	1,433,298	1,365,537	67,761
Noncurrent debt	1,000,000	1,103,000	(103,000)
Total liabilities	2,681,858	2,674,661	7,197
Deferred Inflows of Resources:			
Deferred inflows related to pensions	3,036	-	3,036
Net Position:			
Net investment in capital assets	3,359,031	3,284,969	74,062
Restricted	48,516	48,516	-
Unrestricted	201,537	5,610	195,927
Total net position	\$ 3,609,084	\$ 3,339,095	\$ 269,989

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2015	2014	Change
Program Revenues:			
Charges for services	\$ 1,807,152	\$ 1,610,756	\$ 196,396
Operating grants and contributions	13,677,939	15,105,528	(1,427,589)
Capital grants and contributions	787,908	577,770	210,138
General Revenues:			
Property taxes	13,329,040	12,945,821	383,219
Motor vehicle excise and other taxes	1,045,461	933,252	112,209
Penalties and interest on taxes	84,631	72,248	12,383
Nonrestricted grants	1,946,755	1,895,660	51,095
Unrestricted investment income	9,384	12,674	(3,290)
Miscellaneous	5,943	46,264	(40,321)
Total revenues	32,694,213	33,199,973	(505,760)
Expenses:			
General Government	1,452,503	1,358,464	94,039
Public Safety	3,650,007	3,496,133	153,874
Public Works	2,191,282	2,081,138	110,144
Education	16,386,602	16,328,164	58,438
Health and Human Services	1,248,844	1,062,415	186,429
Culture and Recreation	482,623	425,925	56,698
Employee Benefits and Insurance	7,978,921	8,987,724	(1,008,803)
State Assessments	1,151,976	995,441	156,535
Interest	258,628	307,272	(48,644)
Total expenses	34,801,386	35,042,676	(241,290)
Net (expenses) revenues	(2,107,173)	(1,842,703)	(264,470)
Transfers	198,972	221,105	(22,133)
Change in net position	(1,908,201)	(1,621,598)	(286,603)
Net position - beginning of year	2,796,396	4,417,994	(1,621,598)
Net position - end of year	\$ 888,195	\$ 2,796,396	\$ (1,908,201)

	Business-Type Activities		
	2015	2014	Change
Program Revenues:			
Charges for services	\$ 1,894,186	\$ 1,919,764	\$ (25,578)
Operating grants and contributions	1,733	1,205	528
Total revenues	1,895,919	1,920,969	(25,050)
Expenses:			
Water	656,628	757,103	(100,475)
Sewer	770,330	732,726	37,604
Total expenses	1,426,958	1,489,829	(62,871)
Net (expenses) revenues	468,961	431,140	37,821
Transfers	(198,972)	(221,105)	22,133
Change in net position	269,989	210,035	59,954
Net position - beginning of year	3,339,095	3,129,060	210,035
Net position - end of year	\$ 3,609,084	\$ 3,339,095	\$ 269,989

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$4,497,279 at the close of fiscal year 2015.

Net position of \$25,029,851 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets 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 its 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 net position \$2,307,427 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$22,839,999).

At the end of the current fiscal year, the Town is able to report positive balances in two categories of net position and a negative balance in the unrestricted category in the governmental activities and for the government as a whole. The unrestricted governmental activities and government as a whole resulted in a negative balance mainly due to the accrual of the OPEB obligation and net pension liabilities that are required under GASB to be recognized in the Town's financial statements. These liabilities are presented on the statement of net position.

The governmental activities net position decreased by \$1,908,201 (68%) during the current fiscal year, which reflects the general fund's results of operation. The key elements of the decrease in net position for fiscal year 2015 was attributed to the depreciation expense (normally spread out over the useful life of the asset) for the year of \$1,591,494 exceeding the acquisition of \$881,662 in new capital assets and as a result of recognizing this year's OPEB obligation of \$1,311,687 and net pension liability of \$518,097.

There was an increase of \$269,989 (8%) in net position reported in the business-type activities. Of this, there were increases of \$56,304 attributed to the sewer department and of \$213,685 attributed to the water department.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting 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, the general fund *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.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$3,083,870 a decrease of \$889,640 (22%) in comparison with the prior year.

The breakdown of the governmental funds is as follows:

- Nonspendable fund balance - \$143,588 (5%).
- Restricted fund balance - \$1,301,846 (42%).
- Committed fund balance - \$12,768 (1%).
- Assigned fund balance - \$824,515 (26%).
- Unassigned fund balance - \$801,183 (26%).

Major Governmental Funds

The *General Fund* is the Town's primary operating fund and the largest source of day-to-day operations. At the end of the fiscal year, the General Fund reported a total fund balance of \$2,281,756 decreasing \$327,332 (13%) from the prior year. Of the \$2,281,756, the unassigned amount is \$1,457,241 (64%) and the assigned amount is \$824,515 (36%). General fund revenues were \$1,317,514 (5%) less than the prior fiscal year and expenditures also decreased by \$771,181 (3%). Other activity in the General Fund consisted of net transfers from other funds of \$786,730.

The main components of the decreases in general fund revenues were related to an increase in property taxes of \$364,991 (3%) and decreases in licenses, permits and fees of \$109,663 (20%) and in intergovernmental - "on-behalf" payments of \$1,250,998 (49%) from the prior year due to the implementation of GASB Statement No. 68.

The major changes in general fund expenditures from the prior fiscal year were as follows:

- Decrease in Employee benefits and insurance expenditures of \$1,097,199. (14%).

Proprietary funds. The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

The *Sewer Fund* has accumulated a fund balance of \$433,909 used in the financing and operations of the Town's sewer system. The fund shows an increase of \$56,304 (15%) in total operations. This change was mainly attributed to operating revenues exceeding operating costs by \$156,610, interest income of \$578, interest expense of \$11,167 and transfers to the general fund of \$89,717 for indirect costs. Operating revenues decreased by \$14,066 (2%) while operating expenses increased by \$29,162 (4%) from the prior year.

The *Water Fund* has accumulated a fund balance of \$3,175,175 used in the financing and operations of the Town's water system. The fund shows an increase of \$213,685 (7%) in total operations. This change was mainly attributed to operating revenues exceeding operating costs by \$352,020, interest income of \$1,155, interest expense of \$30,235 and transfers to the general fund of \$109,255 for indirect costs. Operating revenues decreased by \$11,512 (1%) while operating expenses also decreased by \$96,016 (13%) from the prior year.

General Fund Budgetary Highlights

A budget to actual statement is provided for the General Fund. Columns for both the original budget adopted for fiscal year 2015 as well as the final budget are presented. The final general fund budget for fiscal year 2015 was \$27,675,763. This was an increase of \$177,375 (.6%) over the previous year's budget.

There was an increase of \$452,626 between the original budget and the final amended budget. The change is attributed to votes at the special town meetings in November 2014 and May 2015 for various budget operating line items.

General fund expenditures were more than budgeted by \$13,788 (see explanation below). In addition, \$118,515 has been carried over to fiscal year 2016.

There are negative variances in property taxes of \$38,662 as a result of lower collections.

The following categories had negative variances as compared to budget and actual expenditures and encumbrances:

- Public works of \$216,596. This was mainly as a result of higher than anticipated snow and ice clearing and removal activities during the winter season.
- State assessments of \$187,205. This was mainly due to the special education, school choice sending tuition and charter school assessments exceeding the budgeted amounts.

Overall the variance with the final budget was a positive \$357,363 consisting of a revenue surplus of \$489,666 and an appropriation deficit of \$132,303.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounts to \$26,071,832 and \$4,462,031, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Police vehicles for \$75,276.
- Fire Department vehicle for \$479,829.
- Highway vehicle and equipment for 114,050.
- Pleasant Street parking lot for \$95,975.
- Roads, parking and sidewalks infrastructure improvements for \$3,520.
- School phone system for \$69,886.
- School flooring and carpeting for \$43,126.

Major capital events during the current fiscal year in the business-type funds included the following:

- Water infrastructure improvements for \$81,709.

Debt Administration. The Town's outstanding governmental debt, as of June 30, 2015, totaled \$6,786,110, of which \$3,695,000 is for the school projects, \$1,811,335 is for the various construction and building improvements, \$585,000 for departmental equipment, \$481,400 is for landfill projects, \$80,000 for veteran's park and \$133,375 for road improvements.

The governmental activities also has bond and state anticipation notes outstanding for \$959,120 of which \$329,558 is for the October 2011 winter storm, \$480,000 for the purchase of a fire truck and \$149,562 is for highway anticipated revenue from the Commonwealth.

The Town also has capital leases for an Emergency Medical Services vehicle and a fire administration vehicle. The lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of their future minimum lease payments as of the inception date. Town currently owes \$88,007 on the leases consisting of \$82,630 in principal and \$5,377 in interest.

The Town's outstanding business-type debt totaled \$1,103,000 consisting of \$390,100 in sewer debt and \$712,900 in water debt.

Please refer to notes 3D, 3F, 3G and 3H for further discussion of the major capital and debt activity.

Next Year's Annual Town Meeting

The Town of Ware operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2015 do not reflect the fiscal year 2016 Town Meeting action with the exception of the fund balance (free cash) and overlay surplus amounts used to fund the 2016 budget. The Annual Town Meeting on May 11, 2015 authorized a fiscal year 2016 operating and capital budget as follows:

From raise and appropriate		\$	26,400,864
From water revenues			730,000
From sewer revenues	\$	677,200	
From sewer reserve fund		85,000	762,200
From Other Available Funds:			
General Fund:			
Unassigned fund balance:			
Free cash		580,000	
Overlay surplus		126,000	706,000
			<u>\$ 28,599,064</u>

Requests for Information

This financial report is designed to provide a general overview of the Town of Ware'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 the Town Accountant, Town Hall, 126 Main Street, Ware, Massachusetts.

BASIC FINANCIAL STATEMENTS

TOWN OF WARE, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 3,831,950	\$ 1,524,135	\$ 5,356,085
Investments	833,593	-	833,593
Cash in Custody of Others	260,261	-	260,261
Receivables, net of allowance for uncollectibles:			
Property Taxes	366,025	-	366,025
Tax Liens	479,925	-	479,925
Excise Taxes	137,452	-	137,452
User Charges	-	272,902	272,902
Departmental	336,206	-	336,206
Due from Other Governments	2,505,933	-	2,505,933
Total current assets	<u>8,751,345</u>	<u>1,797,037</u>	<u>10,548,382</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Due from Other Governments	2,254,092	-	2,254,092
Capital Assets, net of accumulated Depreciation:			
Non-depreciable	2,711,172	775,784	3,486,956
Depreciable	23,360,660	3,686,247	27,046,907
Total noncurrent assets	<u>28,325,924</u>	<u>4,462,031</u>	<u>32,787,955</u>
Total Assets	<u>37,077,269</u>	<u>6,259,068</u>	<u>43,336,337</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	472,948	34,910	507,858
LIABILITIES			
CURRENT:			
Warrants and Accounts Payable	836,445	116,628	953,073
Accrued Payroll	979,996	11,011	991,007
Payroll Withholdings	29,845	-	29,845
Tax Refund Payable	16,000	-	16,000
Other	54,396	-	54,396
Accrued Interest	71,636	9,953	81,589
Compensated Absences	85,477	7,968	93,445
Notes Payable	959,120	-	959,120
Bonds and Leases Payable	1,353,385	103,000	1,456,385
Total current liabilities	<u>4,386,300</u>	<u>248,560</u>	<u>4,634,860</u>
NONCURRENT:			
Compensated Absences	346,353	13,367	359,720
OPEB Obligation Payable	11,463,686	319,404	11,783,090
Net Pension Liability	14,909,205	1,100,527	16,009,732
Bonds and Leases Payable	5,515,355	1,000,000	6,515,355
Total noncurrent liabilities	<u>32,234,599</u>	<u>2,433,298</u>	<u>34,667,897</u>
Total Liabilities	<u>36,620,899</u>	<u>2,681,858</u>	<u>39,302,757</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	41,123	3,036	44,159
NET POSITION			
Net Investments in Capital Assets	21,670,820	3,359,031	25,029,851
Restricted for:			
Capital Projects	281,365	48,516	329,881
Federal & State Grants	1,194,835	-	1,194,835
Permanent Funds:			
Expendable	119,853	-	119,853
Nonexpendable	143,558	-	143,558
Other Purposes	519,300	-	519,300
Unrestricted	(23,041,536)	201,537	(22,839,999)
Total Net Position	<u>\$ 888,195</u>	<u>\$ 3,609,084</u>	<u>\$ 4,497,279</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WARE, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government	\$ 1,452,503	\$ 423,531	\$ 324,928	\$ -	\$ (704,044)	\$ -	\$ (704,044)
Public Safety	3,650,007	1,079,339	66,187	-	(2,504,481)	-	(2,504,481)
Public Works	2,191,282	11,248	317,984	787,908	(1,074,142)	-	(1,074,142)
Education	16,386,602	219,503	10,749,187	-	(5,417,912)	-	(5,417,912)
Health and Human Services	1,248,844	35,668	766,099	-	(447,077)	-	(447,077)
Culture and Recreation	482,623	37,863	49,193	-	(395,567)	-	(395,567)
Employee Benefits and Insurance	7,978,921	-	1,266,441	-	(6,712,480)	-	(6,712,480)
State Assessments	1,151,976	-	-	-	(1,151,976)	-	(1,151,976)
Interest	258,628	-	137,920	-	(120,708)	-	(120,708)
Total Governmental Activities	34,801,386	1,807,152	13,677,939	787,908	(18,528,387)	-	(18,528,387)
Business-Type Activities:							
Water	656,628	978,413	1,155	-	-	322,940	322,940
Sewer	770,330	915,773	578	-	-	146,021	146,021
Total Primary Government	\$ 36,228,344	\$ 3,701,338	\$ 13,679,672	\$ 787,908	(18,528,387)	468,961	(18,059,426)
General Revenues:							
Property taxes					13,329,040	-	13,329,040
Motor vehicle excise and other taxes					1,045,461	-	1,045,461
Penalties & Interest on taxes					84,631	-	84,631
Grants & Contributions not restricted to specific programs					1,946,755	-	1,946,755
Unrestricted investment income					9,384	-	9,384
Miscellaneous					5,943	-	5,943
Transfers, net					198,972	(198,972)	-
Total General Revenues and Transfers					16,620,186	(198,972)	16,421,214
Change in Net Position					(1,908,201)	269,989	(1,638,212)
Net Position:							
Beginning of year (as restated)					2,796,396	3,339,095	6,135,491
End of year					\$ 888,195	\$ 3,609,084	\$ 4,497,279

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WARE MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 3,171,388	\$ 660,562	\$ 3,831,950
Investments	561,912	271,681	833,593
Cash in Custody of Others	-	260,261	260,261
Receivables, net of allowance for uncollectibles:			
Property Taxes	366,025	-	366,025
Tax Liens	479,925	-	479,925
Excise Taxes	137,452	-	137,452
Departmental	550	335,656	336,206
Due from Other Governments	3,145,199	1,556,514	4,701,713
Total Assets	\$ 7,862,451	\$ 3,084,674	\$ 10,947,125
Liabilities:			
Warrants and Accounts Payable	\$ 557,349	\$ 279,096	\$ 836,445
Accrued Payroll	929,308	50,688	979,996
Payroll Withholdings	29,845	-	29,845
Tax Refund Payable	16,000	-	16,000
Other	54,396	-	54,396
Notes Payable	-	959,120	959,120
Total Liabilities	1,586,898	1,288,904	2,875,802
Deferred Inflows of Resources:			
Unavailable Revenue	3,993,797	993,656	4,987,453
Fund Balance:			
Nonspendable	-	143,558	143,558
Restricted	-	1,301,846	1,301,846
Committed	-	12,768	12,768
Assigned	824,515	-	824,515
Unassigned	1,457,241	(656,058)	801,183
Total Fund Balance	2,281,756	802,114	3,083,870
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,862,451	\$ 3,084,674	\$ 10,947,125

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WARE, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 13,203,347	\$ -	\$ 13,203,347
Intergovernmental	11,804,468	3,818,424	15,622,892
Excise and Other Taxes	1,041,334	-	1,041,334
Licenses, Permits, Fees	432,325	-	432,325
Charges for Services	-	1,181,603	1,181,603
Interest on Taxes	84,631	-	84,631
Investment Income	9,384	4,740	14,124
Gifts and Donations	-	108,428	108,428
Other	-	35,128	35,128
Intergovernmental - "On-behalf" Payments	1,288,894	-	1,288,894
Total Revenues	27,864,383	5,148,323	33,012,706
Expenditures:			
Current:			
General Government	1,142,515	387,124	1,529,639
Public Safety	3,087,485	806,713	3,894,198
Public Works	1,123,889	966,627	2,090,516
Education	13,362,288	2,285,309	15,647,597
Health and Human Services	585,038	587,435	1,172,473
Culture and Recreation	310,631	113,135	423,766
Employee Benefits and Insurance	6,580,962	-	6,580,962
State Assessments	1,151,976	-	1,151,976
Debt Service:			
Principal	1,358,398	6,500	1,364,898
Interest	275,263	30	275,293
Total Expenditures	28,978,445	5,152,873	34,131,318
Excess of Revenues Over (Under) Expenditures	(1,114,062)	(4,550)	(1,118,612)
Other Financing Sources (Uses):			
Operating Transfers In	786,730	-	786,730
Operating Transfers Out	-	(587,758)	(587,758)
Proceeds from Issuance of Bonds	-	30,000	30,000
Total Other Financing Sources (Uses)	786,730	(557,758)	228,972
Net Change in Fund Balances	(327,332)	(562,308)	(889,640)
Fund Balances, Beginning of Year	2,609,088	1,364,422	3,973,510
Fund Balances, End of Year	\$ 2,281,756	\$ 802,114	\$ 3,083,870

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF WARE MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2015

Total Governmental Fund Balances		\$	3,083,870
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			26,071,832
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			5,045,765
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.			431,825
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:			
Bonds and Leases Payable	\$	(6,868,740)	
Other Post Employment Benefits Payable		(11,463,686)	
Net Pension Liability		(14,909,205)	
Compensated Absences		<u>(431,830)</u>	(33,673,461)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.			<u>(71,636)</u>
Net Position of Governmental Activities		\$	<u><u>888,195</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF WARE 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, 2015

Net Change in Fund Balances - Total Governmental Funds \$ (889,640)

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 are reported as depreciation expense:

Capital Outlay Purchases	\$ 881,662	
Depreciation	<u>(1,591,494)</u>	(709,832)

Revenue 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 unavailable revenue and WPAT principal subsidy. (358,493)

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 position:

Repayment of Debt and Lease Principal	1,463,999	
Proceeds from Bonds and Notes	<u>(30,000)</u>	1,433,999

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Net Change in Compensated Absences	(2,941)	
Net Change in Other Post Employment Benefits	(1,311,687)	
Net Change in Net Pension Liability	(518,097)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	431,825	
Net Change in Accrued Interest on Long-Term Debt	<u>16,665</u>	<u>(1,384,235)</u>

Change in Net Position of Governmental Activities \$ (1,908,201)

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF WARE MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Actual Budgetary Basis	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried		Final Budget			
	Forward from Prior Year	Original Budget				
Revenues:						
Property Taxes	\$ -	\$ 13,101,009	\$ 13,221,009	\$ 13,182,347	\$ -	\$ (38,662)
Intergovernmental	-	11,428,880	11,428,880	11,804,468	-	375,588
Excise and Other Taxes	-	949,299	949,299	1,041,334	-	92,035
Licenses, Permits, Fees	-	386,562	386,562	432,325	-	45,763
Interest on Taxes	-	70,000	70,000	84,631	-	14,631
Interest on Investments	-	5,000	5,000	5,311	-	311
Total Revenues	-	25,940,750	26,060,750	26,550,416	-	489,666
Expenditures:						
Current:						
General Government	94,088	1,078,510	1,240,641	1,142,515	44,008	54,118
Public Safety	2,519	2,989,394	3,112,058	3,087,485	12,714	11,859
Public Works	18,202	843,235	934,737	1,123,889	27,444	(216,596)
Education	34,176	13,304,402	13,408,578	13,362,288	31,708	14,582
Health and Human Services	7,025	595,605	608,363	585,038	600	22,725
Culture and Recreation	1,782	320,416	328,603	310,631	2,041	15,931
Employee Benefits and Insurance	-	5,318,679	5,427,679	5,314,521	-	113,158
State Assessments	-	964,771	964,771	1,151,976	-	(187,205)
Debt Service:						
Principal	-	1,344,864	1,344,864	1,344,863	-	1
Interest	-	305,469	305,469	266,345	-	39,124
Total Expenditures	157,792	27,065,345	27,675,763	27,689,551	118,515	(132,303)
Excess of Revenues Over (Under) Expenditures	(157,792)	(1,124,595)	(1,615,013)	(1,139,135)	(118,515)	357,363
Other Financing Sources (Uses):						
Operating Transfers In	-	801,229	801,229	804,730	-	3,501
Total Other Financing Sources (Uses)	-	801,229	801,229	804,730	-	3,501
Net Change in Budgetary Fund Balance	(157,792)	(323,366)	(813,784)	\$ (334,405)	\$ (118,515)	\$ 360,864
Other Budgetary Items:						
Free Cash and Other Reserves	-	469,000	801,626			
Prior Year Deficits	-	(145,634)	(145,634)			
Prior Year Encumbrances	157,792	-	157,792			
Total Other Budgetary Items	157,792	323,366	813,784			
NET BUDGET	\$ -	\$ -	\$ -			

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF WARE MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2015

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 26,550,416	\$ 27,689,551
<i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	4,073	-
Net Decrease in Revenue from recording Refund Taxes Payable	(16,000)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	1,288,894	-
Recognition of Expenditures - "on behalf payments"	-	1,288,894
Net Increase in Revenue from Recording 60-Day Receipts	37,000	-
Reported on a GAAP Basis	\$ 27,864,383	\$ 28,978,445

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WARE MASSACHUSETTS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015**

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 1,038,044	\$ 486,091	\$ 1,524,135
User Charges, net of allowance for uncollectibles	128,492	144,410	272,902
Total current assets	<u>1,166,536</u>	<u>630,501</u>	<u>1,797,037</u>
NONCURRENT:			
Capital Assets, net of accumulated Depreciation			
Non-depreciable	408,409	367,375	775,784
Depreciable	3,132,678	553,569	3,686,247
Total noncurrent assets	<u>3,541,087</u>	<u>920,944</u>	<u>4,462,031</u>
Total Assets	<u>4,707,623</u>	<u>1,551,445</u>	<u>6,259,068</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	17,696	17,214	34,910
LIABILITIES			
CURRENT:			
Accounts Payable	79,742	36,886	116,628
Accrued Payroll	5,629	5,382	11,011
Accrued Interest	8,478	1,475	9,953
Compensated Absences	4,320	3,648	7,968
Bonds Payable	73,300	29,700	103,000
Total current liabilities	<u>171,469</u>	<u>77,091</u>	<u>248,560</u>
NONCURRENT:			
Compensated Absences	4,813	8,554	13,367
OPEB Obligation Payable	174,861	144,543	319,404
Net Pension Liability	557,862	542,665	1,100,527
Bonds Payable	639,600	360,400	1,000,000
Total noncurrent liabilities	<u>1,377,136</u>	<u>1,056,162</u>	<u>2,433,298</u>
Total Liabilities	<u>1,548,605</u>	<u>1,133,253</u>	<u>2,681,858</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	1,539	1,497	3,036
NET POSITION			
Net Investment in Capital Assets	2,828,187	530,844	3,359,031
Restricted for Capital	47,815	701	48,516
Unrestricted	299,173	(97,636)	201,537
Total Net Position	<u>\$ 3,175,175</u>	<u>\$ 433,909</u>	<u>\$ 3,609,084</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WARE MASSACHUSETTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 968,955	\$ 913,019	\$ 1,881,974
Other	9,458	2,754	12,212
Total Operating Revenues	978,413	915,773	1,894,186
Operating Expenses:			
Salaries & Wages	235,774	222,783	458,557
Operating Expenses	283,791	515,561	799,352
Depreciation	106,828	20,819	127,647
Total Operating Expenses	626,393	759,163	1,385,556
Operating Income (Loss)	352,020	156,610	508,630
Non-Operating Revenues (Expenses):			
Investment Income	1,155	578	1,733
Interest Expense	(30,235)	(11,167)	(41,402)
Total Non-Operating Revenues (Expenses)	(29,080)	(10,589)	(39,669)
Income (Loss) Before Operating Transfers	322,940	146,021	468,961
Operating Transfers:			
Transfer In (Out)	(109,255)	(89,717)	(198,972)
Total Operating Transfers	(109,255)	(89,717)	(198,972)
Change in Net Position	213,685	56,304	269,989
Net Position at Beginning of Year (as restated)	2,961,490	377,605	3,339,095
Net Position at End of Year	\$ 3,175,175	\$ 433,909	\$ 3,609,084

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WARE MASSACHUSETTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 968,869	\$ 912,271	\$ 1,881,140
Receipts from Other Revenues	9,458	2,754	12,212
Payments to Vendors	(233,779)	(467,377)	(701,156)
Payments to Employees	(236,171)	(223,943)	(460,114)
Net Cash Provided by (Used for) Operating Activities	508,377	223,705	732,082
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) Other Funds	(109,255)	(89,717)	(198,972)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(109,255)	(89,717)	(198,972)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(81,709)	-	(81,709)
Principal Payments on Bonds and Notes	(93,300)	(26,700)	(120,000)
Interest Expense	(31,498)	(11,220)	(42,718)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(206,507)	(37,920)	(244,427)
Cash Flows from Investing Activities:			
Investment Income	1,155	578	1,733
Net Cash Provided by (Used for) Investing Activities	1,155	578	1,733
Net Increase (Decrease) in Cash and Cash Equivalents	193,770	96,646	290,416
Cash and Cash Equivalents at Beginning of Year	844,274	389,445	1,233,719
Cash and Cash Equivalents at End of Year	\$ 1,038,044	\$ 486,091	\$ 1,524,135

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:

Operating Income (Loss)	\$ 352,020	\$ 156,610	\$ 508,630
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	106,828	20,819	127,647
Deferred (Outflows)/Inflows of Resources Related to Pensions	(16,157)	(15,717)	(31,874)
Change in Assets and Liabilities:			
Increase (Decrease) in Accounts Payable	39,453	23,168	62,621
Increase (Decrease) in Accrued Payroll	552	(411)	141
Increase (Decrease) in Compensated Absences	(949)	(749)	(1,698)
Increase (Decrease) in OPEB Obligation Payable	7,331	21,876	29,207
Increase (Decrease) in Net Pension Liability	19,385	18,857	38,242
Decrease (Increase) in User Charges	(86)	(748)	(834)
Total Adjustments	156,357	67,095	223,452
Net Cash Provided by (Used for) Operating Activities	\$ 508,377	\$ 223,705	\$ 732,082

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WARE MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 60,811	\$ 190,063
Investments	98,384	187,221	-
Total Assets	98,384	248,032	190,063
LIABILITIES			
Warrants Payable	-	-	6,976
Due to Students Groups	-	-	60,210
Escrows and Deposits	-	-	122,877
Total Liabilities	-	-	190,063
NET POSITION			
Held in Trust for Scholarships and Other Purposes	\$ 98,384	\$ 248,032	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WARE MASSACHUSETTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds
Additions:		
Employer Contributions	\$ 87,000	\$ -
Investment Income	1,150	2,806
Total Additions	88,150	2,806
Deductions:		
Educational Scholarships	-	2,830
Total Deductions	-	2,830
Change in Net Position	88,150	(24)
Net Position at Beginning of Year	10,234	248,056
Net Position at End of Year	\$ 98,384	\$ 248,032

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Ware, Massachusetts (the Town) 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 recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town was incorporated in 1775 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected five member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. 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 significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2015, it was determined that no entities met the required GASB-39 and GASB-61 criteria for component units.

The Town is responsible for electing the governing board and/or committee members of the Ware Housing Authority, Pathfinder Regional Vocational Technical High School District and Quabbin Health District. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing members of the board. Audited financial statements are available from the respective organizations. A description of the related organizations follows:

Ware Housing Authority - A public housing agency that provides housing assistance to eligible and qualified low and moderate-income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

Pathfinder Regional Vocational Technical High School District - A regional school district made up of eight communities to serve and provide a learning environment in specific career areas. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town elects one district committee member for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

Quabbin Health District - A regional health department made up of three communities to provide the communities with full time professional staff and public health services. The health district is a separate entity. The district is responsible for the operating costs related to the district and operates independently from the Town.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements (e.g., statement of net position and the statement of activities) report information on all of the 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 supported primarily by user fees and charges.

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

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 governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and change in net position.

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

and

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Proprietary and fiduciary funds are reported by fund type.

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 recognized 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. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
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Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

Fund financial statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, 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 thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. 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.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 Town reports the following major governmental fund:

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.

The Town reports the following major proprietary funds:

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

The *water fund* is used to account for the water activities.

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

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

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

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

Additionally, the Town reports the following fund types:

Fiduciary fund 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

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
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for assets held in a trustee capacity for others that cannot be used to support the government programs. The Town reports the following fiduciary funds:

The *Other Post Employment Benefit (OPEB) Trust Fund* is used to account for the assets held by the Town in trust for the payment of future retiree health insurance benefits. The assets of the OPEB Trust Fund cannot be used to support the Town's operations.

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 benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

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 non-operating revenues and expenses.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. 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. The Town maintains a cash and investment pool 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 cash equivalents".

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

Investment income from proprietary funds is maintained in those funds.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments to the Town. 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 less than one year 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.

All investments are carried at fair value.

F. Receivables

The recognition of revenues 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.

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
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Property Taxes and Tax Liens

Property taxes are based on assessments as of January 1, 2014 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2015 on June 26, 2014 that were due on August 1, 2014 and November 2, 2014 and actual bills on December 29, 2014 that were due on February 2, 2015 and May 1, 2015, respectively.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2015 is as follows:

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2015	\$ 13,020,800
Add: Debt Exclusion	353,794
	<u>\$ 13,374,594</u>

The total amount raised by taxation was \$13,371,009.

The allowance for uncollectible accounts is based on historical trends and specific account analysis.

Excise Taxes

Excise taxes consist of motor vehicle excise, boat excise and farm animal excise taxes.

Motor vehicle and boat excise taxes are assessed annually for each vehicle and vessel registered in the Town and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles. The Board of Assessors of the Town is responsible for determining the value of each vessel.

The tax calculation is the fair market value of the vehicle or vessel multiplied by the \$25 per \$1,000 of value and \$10 per \$1,000 of valuation, respectively.

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
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Farm animal excise taxes are assessed on farm animals and farm machinery. The Board of Assessors of the Town is responsible for determining the value of the property.

The allowance for uncollectibles is estimated and based on historical trends and specific account analysis.

User Charges

User charges and fees consist of water and sewer services and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed each year and are included as a lien on the property owner's tax bill. Water and sewer charges are recorded as receivables in the fiscal year of the levy.

The allowance for uncollectibles is estimated and based on historical trends and specific account analysis.

Departmental

Departmental receivables consist of ambulance, Community Development office commercial loans to businesses and police-off duty details.

The allowance for uncollectibles for ambulance is estimated and based on historical trends and specific account analysis. The other receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Due from Other Governments

Various federal and state grants for operating and capital purposes 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.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase and construction costs in excess of \$15,000 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 fixed assets are as follows:

Capital Asset Type	Years
Buildings and renovations	20-40
Machinery, equipment and other	3-10
Infrastructure	20-50

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
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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.

H. Interfund Transfers

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

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net".

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

I. Deferred Inflows of Resources

Government-wide financial statements

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the only item in this category is *deferred outflows related to pensions*.

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category is *deferred inflows related to pensions*.

Fund financial statements

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town's property, excise and other taxes; departmental receipts and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Net Position and Fund Balances

In the Government-Wide financial statements, the difference between the Town's total assets, deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components – net investment in capital assets; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
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Net position has been “restricted for” the following:

“Capital projects” represents amounts restricted for capital purposes.

“Federal and state grants” represents amounts restricted by the federal and state government for various programs.

“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 purposes” represents restrictions placed on assets from outside parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town’s “intent” to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town’s policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

K. Long-term Debt

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position.

The face amount of governmental funds long-term debt is reported as other financing sources.

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

L. Compensated Absences

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused sick and vacation leave which is (subject to certain limitations) at their current rates of pay.

M. Pension Benefits

For purposes of measuring the net position liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Hampshire County Retirement System (the System) and the Massachusetts Teachers Retirement System (MTRS) are provided. Additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable according with the benefit terms. Investments are reported at their fair value.

N. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's share of insurance premiums at various percentages for retirees, spouses and surviving spouses in the general fund in the fiscal year paid. The cost of providing health insurance is recognized in the general fund in the fiscal year paid.

O. Use of Estimates

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 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

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non-property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- Estimates are submitted by departments in accordance with Massachusetts general Laws.
- The budget is legally enacted by vote at the annual Town meeting.

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

- Supplemental appropriations may be made from available funds after setting of the tax rate with Town meeting approval.
- Throughout the year appropriations may be transferred between departments with Town meeting approval.

Massachusetts law requires cities and towns to provide a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2015, the Town incurred a final budget deficit of \$813,784 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

Unassigned fund balance:		
Free cash votes	\$	801,626
Reserved for deficits		(145,634)
Prior year's encumbrances		157,792
		157,792
	\$	813,784

B. Deficit Fund Balances

The following funds have deficits at June 30, 2015 as measured by the balance of unreserved fund balance.

- The *Department of Public Works equipment fund*, a capital project, has a deficit of \$501. The deficit will be eliminated upon appropriation.
- The *Fire Department vehicle fund*, a capital project, has a deficit of \$480,000. The Town has a bond anticipation note outstanding of \$480,000 for the vehicle. The deficit will be eliminated upon the issuance of permanent debt.
- The *School flooring fund*, a capital project, has a deficit of \$43,125. The Town has authorized debt totaling \$128,000 for school flooring. The deficit will be eliminated upon the issuance of permanent debt.
- The *Disaster damage recovery fund*, a special revenue account, has a deficit of \$92,213. The Town has a bond anticipation note outstanding of \$359,558 for this event. The deficit will be eliminated upon additional receipts or the issuance of permanent debt.
- The *Green Communities Grant fund*, a special revenue account, has a deficit of \$40,219. The deficit will be eliminated upon additional receipts or appropriation.

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned. The Town does not have a deposit policy for custodial credit risk. Deposits at June 30, 2015 were \$6,296,570. Of these, \$274,792 are exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust (“MMDT”), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer’s office. According to the State Treasurer, the Trust’s investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2015, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. treasury obligations	\$ 66,135	\$ -	\$ 66,135
U. S. government agencies	135,106	-	135,106
Corporate bonds	115,257	40,004	75,253
	<u>316,498</u>	<u>\$ 40,004</u>	<u>\$ 276,494</u>
Other Investments:			
Certificates of deposits	248,790		
Equity mutual funds	273,702		
MMDT	280,208		
	<u>\$ 1,119,198</u>		

Custodial Credit Risks - Investments

For an investment, custodial risk 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. Of the Town’s \$1,119,198 investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town’s name. The Town has no policy on custodial credit risk.

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Interest Rate Risk - Investments

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.

Credit Risk - Investments

The Town's exposure to credit risk as of June 30, 2015 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
U. S. Treasury Obligations:	
Aaa	\$ 66,135
U. S. Government Agencies:	
Aaa	135,106
Corporate Bonds:	
A1	30,725
A2	20,005
Baa1	64,527
	\$ 316,498

Concentration of Credit Risk - Investments

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are Federal Home Loan Mortgage Corp. 12.07% of the Town's total investments.

Cash in custody of others are Small Cities grant funds that are in the custody of the Pioneer Valley Planning Commission.

B. Receivables

At June 30, 2015, receivables for the individual major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 372,749	\$ (6,724)	\$ 366,025
Tax liens	479,925	-	479,925
Excise taxes	159,430	(21,978)	137,452
Departmental	373,046	(36,840)	336,206
Due from other governments	4,701,713	-	4,701,713
	\$ 6,086,863	\$ (65,542)	\$ 6,021,321

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

At June 30, 2015, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer Fund:			
User charges	\$ 135,421	\$ (500)	\$ 134,921
Tax liens	9,489	-	9,489
Water Fund:			
User charges	119,391	(500)	118,891
Tax liens	9,601	-	9,601
	\$ 273,902	\$ (1,000)	\$ 272,902

The composition of amounts due from other governments as of June 30, 2015 for governmental funds is as follows:

General Fund:

Commonwealth of Massachusetts:

Department of Elementary & Secondary Education:

School lunch \$ 13,855

Department of Veterans Services:

Veterans benefits 241,928

Massachusetts School Building Authority:

School Building Assistance - Capital Portion 2,889,416 \$ 3,145,199

Nonmajor Governmental Funds:

U. S. Department of Agriculture:

School lunch 30,656

U. S. Department of Education:

School title grants 369,402

U.S. Department of Transportation:

Federal Highway Administration:

Disaster Assistance - October 2011 Snow Storm 237,346

Commonwealth of Massachusetts:

Department of Elementary & Secondary Education:

School lunch 579

School title grants 1,851

Special education reimbursement fund 59,134

Executive Office of Public Safety and Homeland Security

Public Safety Grants 25,003

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funded projects 823,475

Other 9,068 1,556,514

\$ 4,701,713

C. Deferred Inflows of Resources – Unavailable Revenue

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

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
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fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

General Fund:			
Property taxes	\$	283,025	
Tax liens		479,925	
Excise taxes		137,452	
Departmental		550	
Due from other governments		3,092,845	\$ 3,993,797
Nonmajor governmental funds:			
Departmental		304,961	
Due from other governments		688,695	993,656
		\$	4,987,453

D. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended June 30, 2015, are as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,607,652	\$ 100,000	\$ -	\$ 2,707,652
Construction in progress	133,847	99,495	(229,822)	3,520
Total capital assets not being depreciated	2,741,499	199,495	(229,822)	2,711,172
Capital assets being depreciated:				
Buildings and Renovations	31,187,196	172,948	-	31,360,144
Machinery, equipment and other	5,065,929	739,041	(260,179)	5,544,791
Infrastructure	6,784,788	-	-	6,784,788
Total capital assets being depreciated	43,037,913	911,989	(260,179)	43,689,723
Less accumulated depreciation for:				
Buildings and Renovations	13,528,449	1,130,553	-	14,659,002
Machinery, equipment and other	3,541,571	174,112	(173,671)	3,542,012
Infrastructure	1,927,728	200,321	-	2,128,049
Total accumulated depreciation	18,997,748	1,504,986	(173,671)	20,329,063
Total capital assets being depreciated, net	24,040,165	(592,997)	(86,508)	23,360,660
Total governmental activities capital assets, net	\$ 26,781,664	\$ (393,502)	\$ (316,330)	\$ 26,071,832

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 393,400	\$ -	\$ -	\$ 393,400
Construction in Progress	300,675	81,710	-	382,385
Total capital assets not being depreciated	694,075	81,710	-	775,785
Capital assets being depreciated:				
Buildings and renovations	106,710	-	-	106,710
Machinery, equipment and other	40,836	86,508	-	127,344
Infrastructure	4,864,372	-	-	4,864,372
Total capital assets being depreciated	5,011,918	86,508	-	5,098,426
Less accumulated depreciation for:				
Buildings and renovations	8,003	5,336	-	13,339
Machinery, equipment and other	12,251	94,675	-	106,926
Infrastructure	1,177,770	114,145	-	1,291,915
Total accumulated depreciation	1,198,024	214,156	-	1,412,180
Total capital assets being depreciated, net	3,813,894	(127,648)	-	3,686,246
Total business-type activities capital assets, net	\$ 4,507,969	\$ (45,938)	\$ -	\$ 4,462,031

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

Governmental Activities:

General government	\$ 10,668
Public safety	348,176
Public works	156,967
Education	852,017
Health and human services	79,566
Culture and recreation	57,592
Total depreciation expense - governmental activities	<u>\$ 1,504,986</u>

Business-Type Activities:

Sewer fund	\$ 79,589
Water fund	134,567
Total depreciation expense - business-type activities	<u>\$ 214,156</u>

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2015, are summarized below:

	<u>Transfers In:</u>	
	General fund	Total
<u>Transfers Out:</u>		
Nonmajor governmental funds	\$ 587,758	\$ 587,758
Business-type fund	198,972	198,972
Total transfers out	<u>\$ 786,730</u>	<u>\$ 786,730</u>

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

F. Leases

The Town has entered into lease agreements as lessee for financing an Emergency Medical Services vehicle and a fire administration vehicle. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follows:

	Governmental Activities
Asset:	
Machinery, Equipment and Other	\$ 429,361
Less: Accumulated Depreciation	(355,433)
Total	\$ 73,928

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, are as follows:

Year Ending June 30,	Governmental Activities
2016	\$ 29,336
2017	29,336
2018	29,335
Total minimum lease payments	88,007
Less: amount representing interest	(5,377)
Present value of minimum lease payments	\$ 82,630

G. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Details related to the short-term debt activity of the governmental type activities are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2014	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2015
Governmental Activities						
<i>Bond Anticipation Notes:</i>						
October 2011 snow storm	0.50%	7/3/2014	\$ 359,558	\$ -	\$ 359,558	\$ -
October 2011 snow storm	0.50%	10/31/2014	-	359,558	359,558	-
October 2011 snow storm	0.50%	1/28/2015	-	359,558	359,558	-
October 2011 snow storm	0.50%	6/26/2015	-	359,558	359,558	-
Fire truck purchase	0.55%	4/14/2016	-	480,000	-	480,000
October 2011 snow storm	0.57%	12/21/2015	-	329,558	-	329,558
<i>State Anticipation Notes:</i>						
Highway - Chapter 90	0.50%	10/1/2014	124,438	-	124,438	-
Highway - Chapter 90	0.52%	9/1/2015	-	149,562	-	149,562
Total Governmental Activities			<u>\$ 483,996</u>	<u>\$ 2,037,794</u>	<u>\$ 1,562,670</u>	<u>\$ 959,120</u>

H. Long Term Debt

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.

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2015
Inside Debt:					
Municipal Purpose Loan of 2008:					
Departmental Equipment	3.66%	3/15/2008	3/15/2022	980,000	\$ 435,000
Veteran's Park	3.68%	3/15/2008	3/15/2022	185,000	80,000
Town Hall Boiler Replacement	3.74%	3/15/2008	3/15/2025	87,000	50,000
Senior Center	3.78%	3/15/2008	3/15/2027	852,000	535,000
Road Repairs	3.67%	3/15/2008	3/15/2018	100,400	30,000
Refunding Loans:					
Roof Replacement - Police	0.50%	5/29/2014	5/27/2016	21,305	21,305
Roof Replacement - Highway	0.50%	5/29/2014	5/27/2016	28,330	28,330
Road Reconstruction	0.50%	5/29/2014	5/27/2016	13,375	13,375
Municipal Purpose Loan of 2014:					
Fire Station	2.0-3.0%	5/15/2014	5/15/2034	987,000	967,000
Parking Lot	2.0-3.0%	5/15/2014	5/15/2024	100,000	90,000
Street Sweeper	2.0-3.0%	5/15/2014	5/15/2024	100,000	90,000
Municipal Purpose State House of 2014:					
Police Station	1.00%	5/23/2014	9/1/2019	155,017	126,000
Town Hall Windows	1.00%	5/23/2014	9/1/2018	24,326	20,700
Police Station Windows	1.00%	5/23/2014	9/1/2018	20,000	17,000
Town Hall Roof	1.00%	5/23/2014	9/1/2018	30,000	26,000
Police Vehicle	1.00%	5/23/2014	9/1/2018	40,000	30,000
Highway Chipper	1.00%	5/23/2014	9/1/2018	44,618	30,000
Grenville Park Bandstand	1.00%	5/23/2014	9/1/2018	25,000	20,000
School Carpets	1.00%	5/23/2014	9/1/2017	20,000	15,000
Massachusetts Clean Water Trust:					
Landfill Capping	N/A	12/9/1998	8/1/2018	906,800	226,400
Total Inside Debt					<u>2,851,110</u>
Outside Debt:					
School Building Refunding	3.77%	12/15/2005	9/1/2018	8,640,000	3,680,000
Municipal Purpose Loan of 2014:					
Landfill Capping	2.0-3.0%	5/15/2014	5/15/2034	270,000	255,000
Total Outside Debt					<u>3,935,000</u>
Total governmental type debt					<u>\$ 6,786,110</u>

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Notes to the Financial Statements
Year Ended June 30, 2015

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2015, are as follows:

Year	Principal	Interest	Total
2016	\$ 1,326,710	\$ 221,262	\$ 1,547,972
2017	1,272,800	170,296	1,443,096
2018	1,259,400	123,899	1,383,299
2019	1,243,200	79,353	1,322,553
2020	244,000	52,515	296,515
2021-2025	785,000	171,650	956,650
2026-2030	415,000	72,800	487,800
2031-2034	240,000	19,500	259,500
	<u>\$ 6,786,110</u>	<u>\$ 911,275</u>	<u>\$ 7,697,385</u>

General obligation bonds currently outstanding of the business-type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2015
Inside Debt:					
Sewer Fund:					
Municipal Purpose Loan of 2008: Sewer lines repairs	3.80%	3/15/2008	3/15/2028	\$ 33,600	\$ 22,100
Municipal Purpose Loan of 2014: Wastewater Treatment Plant	2.0-3.0%	5/15/2014	5/15/2034	293,000	<u>278,000</u>
Total Inside Debt					<u>300,100</u>
Outside Debt:					
Sewer Fund:					
Municipal Purpose Loan of 2014: Wastewater Treatment Plant	2.0-3.0%	5/15/2014	5/15/2026	100,000	90,000
Water Fund:					
Municipal Purpose Loan of 2000: Water	4.93%	9/1/1999	9/1/2016	1,184,400	50,000
Municipal Purpose Loan of 2008: Water control facility	3.80%	3/15/2008	3/15/2028	831,000	555,000
Water line repairs	3.80%	3/15/2008	3/15/2028	167,000	<u>107,900</u>
Total Outside Debt					<u>802,900</u>
Total business-type debt					<u>\$ 1,103,000</u>

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2015, are as follows:

Year	Principal	Interest	Total
2016	\$ 103,000	\$ 38,670	\$ 141,670
2017	100,000	34,124	134,124
2018	80,000	31,080	111,080
2019	85,000	28,305	113,305
2020	90,000	25,342	115,342
2021-2025	420,000	83,950	503,950
2026-2029	225,000	17,100	242,100
	<u>\$ 1,103,000</u>	<u>\$ 258,571</u>	<u>\$ 1,361,571</u>

A summary of the changes in governmental activities long term debt during the year is as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due within One Year
Governmental activities:					
Bond Payable:					
General obligation bonds	\$ 7,882,108	\$ -	\$ 1,322,398	\$ 6,559,710	\$ 1,272,610
Massachusetts Clean Water Trust bonds	278,900	-	52,500	226,400	54,100
Capital lease	141,731	-	59,101	82,630	26,675
Compensated absences	428,889	13,104	10,163	431,830	85,477
OPEB Obligation payable	10,151,999	1,311,687	-	11,463,686	-
Net pension liability	14,391,108	518,097	-	14,909,205	-
Governmental activity					
Long-term liabilities	<u>\$ 33,274,735</u>	<u>\$ 1,842,888</u>	<u>\$ 1,444,162</u>	<u>\$ 33,673,461</u>	<u>\$ 1,438,862</u>
Business type activities:					
Bond Payable:					
General obligation bonds	\$ 1,223,000	\$ -	\$ 120,000	\$ 1,103,000	\$ 103,000
Compensated absences	23,033	311	2,009	21,335	7,968
OPEB Obligation payable	290,197	29,207	-	319,404	-
Net pension liability	1,062,285	38,242	-	1,100,527	-
Business-type activity					
Long-term liabilities	<u>\$ 2,598,515</u>	<u>\$ 67,760</u>	<u>\$ 122,009</u>	<u>\$ 2,544,266</u>	<u>\$ 110,968</u>

Massachusetts Clean Water Trust (MCWT)

The Town is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of \$906,800 and interest costs of \$492,183 on one loan which the Town has borrowed from MCWT. The gross amount outstanding at June 30, 2015 for principal and interest combined for the loan is \$247,120. The net repayments, including interest, are scheduled to be \$170,772. Since the Town is legally obligated

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2015 principal and interest subsidies totaled \$22,453.

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2015 totaled \$3,151,210.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2015:

Equalized Valuation-Real Estate and Personal Property (2014)		\$ 1,401,621,900
Debt Limit: 5 % of Equalized value		<u>70,081,095</u>
Total Debt Outstanding	\$ 7,889,110	
Less: Debt Outside Debt Limit	<u>(4,737,900)</u>	<u>3,151,210</u>
Inside Debt Excess Borrowing Capacity at June 30, 2015		<u>\$ 66,929,885</u>

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt.

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Loan authorizations that have not been issued as of June 30, 2015 and are not reflected in the Town's financial statements are as follows:

Date Town Meeting Authorized	Purpose	Amount
5/9/2011	Disinfection upgrade at the wastewater treatment plant	\$ 80,000
12/13/2011	October 2011 Snow Storm Emergency	529,415
5/4/2012	Road repairs in anticipation of Chapter 90 receipts	441,341
8/12/2012	Wastewater Treatment Plant improvements	707,000
11/19/2012	Grenville Park band stand repairs	87,000
11/19/2012	Highway street sweeper	15,506
11/19/2012	Highway wood chipper	5,382
11/19/2012	Town Hall windows	1
11/19/2012	WWTP repair of disinfection system	20,000
5/13/2013	Road repairs in anticipation of Chapter 90 receipts	314,615
5/12/2014	Road repairs in anticipation of Chapter 90 receipts	288,188
5/12/2014	Replace carpet at Stanley M. Koziol School	68,000
11/17/2014	Ambulance purchase	280,000
11/17/2014	Replace carpet at Stanley M. Koziol School	60,000
5/11/2015	Morin/Sheehy landfill closing	50,000
5/11/2015	Road repairs in anticipation of Chapter 90 receipts	434,839
5/11/2015	Highway dump truck purchase	200,000
5/11/2015	Highway brush mower purchase	120,000
5/11/2015	Richfield Avenue water line replacement	220,000
		<u>\$ 3,921,287</u>

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

I. Fund Balances

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2015:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Permanent funds	\$ -	\$ 143,558	\$ 143,558
Restricted:			
Federal, state and local grants	-	337,702	337,702
School Revolving funds	-	385,687	385,687
Town Revolving funds	-	34,432	34,432
Donations and gifts	-	67,863	67,863
Insurance reimbursements	-	5,535	5,535
Capital projects	-	324,991	324,991
Permanent funds	-	119,853	119,853
Other	-	25,783	25,783
	-	1,301,846	1,301,846
Committed:			
Ambulance fund	-	12,768	12,768
Assigned:			
General government	44,008	-	44,008
Public safety	12,714	-	12,714
Public works	27,444	-	27,444
Education	31,708	-	31,708
Health and human services	600	-	600
Culture and recreation	2,041	-	2,041
Employee benefits and insurance	-	-	-
Subsequent year's budget	706,000	-	706,000
	824,515	-	824,515
Unassigned:			
General Fund	1,457,241	-	1,457,241
Deficit special revenue fund	-	(132,432)	(132,432)
Deficit capital projects	-	(523,626)	(523,626)
	1,457,241	(656,058)	801,183
Total Governmental fund balances	\$ 2,281,756	\$ 802,114	\$ 3,083,870

J. Special Trust Funds

Stabilization Fund

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose.

At June 30, 2015, the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$	274,661
Capital stabilization fund		281,704
	\$	556,365

4. OTHER INFORMATION

A. Risk Management

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. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2015, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2015.

Federal Financial Assistance

The Town receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit procedures prescribed under the Single Audit Act Amendments of 1996. Any disallowed expenditures resulting from such audits become a liability of the Town.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the Town.

C. Pension Plan

Plan Description

The Town is a member of the Hampshire County Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the Hampshire County Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers except for current and retired teachers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 99 Industrial Drive, Northampton, Massachusetts 01060.

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan, to which the Town does not contribute. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for the contributions and future benefit requirements of the MTRS.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in the MTRS. Since the Town does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2014. The Town's portion of the collective pension expense contributed by the Commonwealth of \$1,266,441 on-behalf payments for the fiscal year ending June 30, 2015 is reported as intergovernmental on-behalf payments in the revenue and education expenditures in the General Fund as of the measurement date.

Benefits Provided

Both the System and MTRS provide retirement, disability, and death benefits to plan members and beneficiaries. Members become vested after 10 years of creditable service and are eligible for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

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 approved by the Board and are borne by the System.

Contributions

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2014 was \$1,498,054, representing 22.6% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Pension Liability

As of June 30, 2015, a reported liability of \$16,009,732 is the Town's proportionate share of the net pension liability as measured as of December 31, 2014. The net pension liability was determined using the total pension liability and the actuarial assumptions as of the January 1, 2014 and updated to the measurement date of December 31, 2014. This net pension liability is based on the Town's proportional percentage of 8.58271% at December 31, 2014. As such, the total pension liability was also updated and adjusted forward to the measurement date.

Pension Expense

For the year ended June 30, 2015, the Town recognized a pension expense of \$1,588,890 and reported deferred outflows of resources related to pensions of \$507,858 and deferred inflows of resources related to pensions of \$44,159, from the net difference between projected and actual investment earnings on pension plan investments and change in proportionate share. Since the System performs an actuarial valuation bi-annually, there are no reported differences between the expected and actual experience or a change of assumptions as of December 31, 2014. Additionally, the changes in proportion and differences between employer contributions and the proportionate share of contributions are not presented in the initial year of reporting in accordance with GASB Statement No. 67 and Statement No. 68.

The Town's deferred outflows of resources related to pensions will be recognized in the pension expense as follows;

<u>For years ended June 30,</u>	
2016	\$ 116,544
2017	116,544
2018	116,544
2019	116,542
2020	(413)
2021-2026	<u>(2,062)</u>
	<u>\$ 463,699</u>

The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2014;

Valuation date	January 1, 2014
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Closed – Approximate level percent of payroll
Remaining amortization period	19 years for the fresh start base
Asset valuation method	Market value adjusted by accounts payable and receivables adjusted to phase in over 5 years investment gains or losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value.
Investment rate of return	7.875%
Projected salary increase	Select and Ultimate; varies based upon Group

TOWN OF WARE, MASSACHUSETTS
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Inflation	3.00%
Cost of living adjustments	3.00% of \$13,000 per year.
Mortality rates	RP-2000 Employees table (sex distinct, healthy employees for actives and healthy annuitants for retirees) projected with Scale BB and Generational Mortality. For members retired under Accidental Disability (job-related), 40% of deaths are assumed to be from the same cause as the disability. For disabled retirees, this table is set forward 2 years.

Long-term Expected Real Rate of Return

The long-term expected real rate of return reflects the expected rate of return on plan assets minus the expected rate of inflation. Note that the discount rate includes the effect on inflation. The long-term real rate of return removes the effect of inflation on the return amounts. It is a long-term assumption and is meant to reflect a best estimate of future experience, based on the expected asset allocation. The allocation percentages are based on information provided by the System and NEPC. The real rates of return are based on 30-year return estimates adjusted using a 3.00% inflation assumption.

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Cash	1%	0.73%
Large Cap Equities	9%	4.61%
Small/Mid Cap Equities	6%	4.85%
International Equities (Unhedged)	11%	5.10%
International Equities (Hedged)	0%	5.34%
Emerging International Equities	6%	6.31%
Core Bonds	7%	1.42%
High-Yield Bonds	3%	2.91%
Bank Loans	3%	3.16%
Global Bonds (Unhedged)	3%	0.00%
EMD (Local Currency)	6%	4.13%
Private Equity	8%	6.55%
Private Debt	2%	5.10%
Real Estate (Core)	8%	3.40%
Hedge Funds	11%	3.88%
Global Asset Allocation	16%	4.17%
Total	<u>100%</u>	

Rate of Return

For the year ended December 31, 2014, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 4.84%. The money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. The money-weighted return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money-weighted rate of return calculation are determined monthly.

TOWN OF WARE, MASSACHUSETTS
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Discount Rate

The discount rate used to measure the total pension liability was 7.875%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments or current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.875%. As well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.875%) or 1-percentage-point higher (8.875%) than the current rate:

	1% Decrease (6.875%)	Current Discount Rate (7.875%)	1% Increase (8.875%)
Town's net pension liability	\$ 20,301,701	\$ 16,009,732	\$ 12,662,390

D. Other Post Employment Benefits Payable

GASB Statement No. 45

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009, and thus recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

In addition to providing pension benefits as described on the following footnote, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. As of the actuarial valuation date there are approximately 475 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2015 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$878,377. In addition, the Town also made a contribution to an OPEB trust of \$87,000.

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post-employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 (30) years. The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

Annual required contribution	\$	2,632,081
Interest on net OPEB obligation		417,688
Adjustment to annual required contribution		(580,648)
Amortization of actuarial (Gains)/Losses		<u>(162,850)</u>
Annual OPEB cost (expense)		2,306,271
Contributions made during the fiscal year		<u>(965,377)</u>
Increase in net OPEB obligation		1,340,894
Net OPEB Obligation - beginning of year		10,442,196
Net OPEB Obligation - end of year	\$	<u><u>11,783,090</u></u>

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2015 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 2,306,271	41.9%	\$ 11,783,090
6/30/2014	\$ 2,190,022	38.8%	\$ 10,442,196
6/30/2013	\$ 2,093,448	43.6%	\$ 9,100,966

Funded Status and Funding Process

As of July 1, 2014, the most recent valuation date, the plan was 0.04% funded. The actuarial liability for benefits was \$23,650,560, and the actuarial value of assets was \$10,234, resulting in an unfunded actuarial accrued liability (UAAL) of \$23,640,326. As indicated in the actuarial valuation the covered payroll (annual payroll of active employees covered by the plan) was \$13,240,015 and the ratio of the UAAL to the covered payroll was 178.6%.

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 contribution 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 about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial accrued liabilities for benefits.

TOWN OF WARE, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

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

The Town OPEB actuarial valuation as of July 1, 2014 used the individual entry age actuarial cost method. The OPEB actuarial assumptions include a 4.0% rate of return on invested assets and 3.0% salary increases per year. The actuarial assumptions also include healthcare trend rates of 5.0% per year.

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at July 1, 2014 is 24 years.

Trust Fund

The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2015 the trust balance is \$98,384.

E. Implementation Of New GASB Pronouncements

The GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for implementation in fiscal year 2015. The Town's basic financial statements recognize a net pension asset/(liability) and pension revenue/(expense) for the Town's portion of the Hampshire County Retirement System actuarial accrued liability.

F. Future GASB Pronouncements

Management is currently assessing the impact the implementation of the following pronouncements will have on the basic financial statements.

The GASB issued Statement No. 72, *Fair Value Measurement and Application*, for implementation in 2016.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, for implementation in 2016.

5. RESTATEMENT

As required by GASB Statement No. 67 and Statement No. 68, the net position as of June 30, 2014 has been restated. The beginning governmental net position decreased \$14,391,108 to \$2,796,396 and the beginning business-type net position decreased \$1,062,285 to \$3,339,095 to reflect the pension liability.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF WARE, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Hampshire County Retirement System
For the Year Ended June 30, 2015**

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the Town's proportion of the net pension liability and related ratios.

Schedule of the Town's Proportionate Share of the Net pension Liability:

	<u>12/31/2014</u>
Town's proportion of the net pension liability (asset)	8.58217%
Town's proportionate share of the net pension liability (asset)	\$ 16,009,733
Town's covered employee payroll **	\$ 6,620,284
Net pension liability percentage of covered-employee payroll	241.8%
Plan fiduciary net position as a percentage of the total pension liability	58.1%

Note: these schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years of which the information is available.

** Indicates covered employee payroll as reported in the retirement system January 1, 2014 funding valuation report.

**TOWN OF WARE, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Hampshire County Retirement System
For the Year Ended June 30, 2015**

The Schedule of the Employer Contributions presents multiyear trend information on the Town's required and actual payments to the pension plan and related ratios.

Schedule of the Town's Contributions:

	12/31/2014
Actuarially determined contribution @	\$ 1,498,054
Less: Contributions in relation to the actuarially determined contribution	(1,498,054)
Contribution deficiency (excess)	\$ -
Town's covered employee payroll **	\$ 6,620,284
Contributions percentage of covered-employee payroll pension liability	22.6%

Note: these schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years of which the information is available.

** Indicates covered employee payroll as reported in the retirement system January 1, 2014 funding valuation report.

TOWN OF WARE, MASSACHUSETTS
Required Supplementary Information
Schedule of Funding Progress and Employer Contributions
Other Post Employment Benefit Plan Schedule
Year Ended June 30, 2015

Schedule of Funding Progress

Other Post Employment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2014	\$ 10,234	\$ 23,650,560	\$ 23,640,326	0.04%	\$ 13,240,015	178.6%
7/1/2013	-	\$ 22,678,581	\$ 22,678,581	0.00%	\$ 13,490,268	168.1%
7/1/2012	-	\$ 21,842,706	\$ 21,842,706	0.00%	\$ 13,097,348	166.8%

Schedule of Contribution Funding

Other Post Employment Benefits			
Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions Made	Percentage Contributed
2015	\$ 2,306,271	\$ 965,377	41.9%
2014	\$ 2,190,022	\$ 848,792	38.8%
2013	\$ 2,093,448	\$ 911,970	43.6%

The information presented in the above Required Supplementary Schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the Notes to Basic Financial Statements.

Actuarial Methods:

Valuation date	July 1, 2014
Actuarial cost method	Individual Entry Age Cost Method
Amortization method	30-year amortization payments
Years remaining at 7/1/2014	24

Actuarial Assumptions:

Investment rate of return	4.0% per annum
Discount rate	4.0% per annum
Average salary increase	3.0% per annum
Medical/drug cost trend rate	Ultimate trend rate of 5.0% per year.

Plan Membership:

Current active members	276
Current retirees, beneficiaries and dependents	199
Total	<u>475</u>

SUPPLEMENTARY SCHEDULES

TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Fund Balances				Other Financing	Fund Balances
	July 1, 2014	Revenues	Expenditures	Sources (Uses)	June 30, 2015	
Special Revenue:						
Federal and State Grants:						
School Grants	\$ 75,931	\$ 923,818	\$ 956,701	\$ (14,207)	\$	28,841
Arts Lottery Council Grant	2,991	4,860	3,807	-	-	4,044
Board of Health Emergency Preparedness Grant	3,068	-	609	-	-	2,459
Community Development Block Grants	249,064	866,413	835,102	-	-	280,375
Council on Aging Grants	446	18,357	18,187	-	-	616
Disaster Damage Recovery	(359,558)	237,345	-	30,000	-	(92,213)
Green Commuinties Grant	-	15,000	55,219	-	-	(40,219)
Highway Grants	-	835,073	835,073	-	-	-
Library Grants	5,419	13,673	19,092	-	-	-
Other Grants and Programs	515	11,710	11,360	-	-	865
Public Safety Grants	16,766	59,907	56,170	-	-	20,503
Schools:						
School Lunch Revolving	118,528	551,911	505,260	-	-	165,179
School Lunch Commodities	-	36,866	36,866	-	-	-
School Choice	342,270	238,934	371,047	-	-	210,157
School Revolving Accounts	64,834	78,827	133,310	-	-	10,351
State Special Education Reimbursement Fund	-	229,363	229,363	-	-	-
Other:						
Ambulance	1,982	583,979	-	(573,193)	-	12,768
Council on Aging Center Rental Revolving	4,843	1,160	2,663	-	-	3,340
Drug Forfeiture	1,459	5,579	3,900	-	-	3,138
Gaming Grant	910	-	-	-	-	910
Gifts and Donations	82,058	108,432	122,627	-	-	67,863
Insurance Reimbursements	5,535	-	-	-	-	5,535
Other Grants and Programs	3,198	135	224	-	-	3,109
Police Outside Duty	-	260,903	260,903	-	-	-
Recreation Revolving	6,017	25,506	21,165	(358)	-	10,000
Sale of Cemetery Lots	10,568	964	3,902	-	-	7,630
Septic Repair Loan Repayments	38,949	268	18,437	-	-	20,780
Water/Sewer Development	5,686	9	-	-	-	5,695
Municipal Insurance Fund	5,551	61	-	-	-	5,612
Total Special Revenue Funds	\$ 687,030	\$ 5,109,053	\$ 4,500,987	\$ (557,758)	\$	737,338

TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Fund Balances July 1, 2014	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2015
Capital Projects:					
Department of Public Works Equipment	\$ (501)	\$ -	\$ -	\$ -	\$ (501)
Fire Station Construction	39,585	-	-	-	39,585
Fire Department Vehicle	-	-	480,000	-	(480,000)
Landfill Capping	270,000	-	14,300	-	255,700
Pleasant Street Parking Lot	95,975	-	95,975	-	-
School Flooring	1	-	43,126	-	(43,125)
South Street Construction	380	-	-	-	380
Town Hall Window Replacements	299	-	299	-	-
Town Hall Roof Repairs	23,520	-	-	-	23,520
Underground Storage Tank Removal School	5,806	-	-	-	5,806
Total Capital Projects	435,065	-	633,700	-	(198,635)
Perpetual Permanent Funds:					
Cemetery Perpetual Care Funds:					
Aspen Grove Fund	121,707	1,250	-	-	122,957
George L. Draper Fund	10,000	-	-	-	10,000
Susan Connell Fund	4,000	-	-	-	4,000
Josephine Wood Fund	4,101	-	-	-	4,101
Mary Packard Fund	2,000	-	-	-	2,000
Donald Sherman Fund	500	-	-	-	500
Total Perpetual Permanent Funds	\$ 142,308	\$ 1,250	\$ -	\$ -	\$ 143,558

**TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Fund Balances July 1, 2014	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2015
Permanent Funds:					
Cemetery Perpetual Care Funds:					
Aspen Grove Fund	\$ 7,828	\$ 3,018	\$ 690	\$ -	\$ 10,156
George L. Draper Fund	44	(29)	-	-	15
Susan Connell Fund	279	(13)	-	-	266
Helen Handanian Fund	957	210	-	-	1,167
Reed Memorial Fund	2,504	12,362	2,767	-	12,099
Josephine Wood Fund	1,291	59	50	-	1,300
Mary Packard Fund	1,028	33	50	-	1,011
Donald Sherman Fund	719	13	-	-	732
Gilbert Grenville Park Fund	73,553	12,938	6,530	-	79,961
Reed Swimming Pool Fund	11,816	9,429	8,099	-	13,146
Total Permanent Funds	100,019	38,020	18,186	-	119,853
Total - Non-Major Governmental Funds	\$ 1,364,422	\$ 5,148,323	\$ 5,152,873	\$ (557,758)	\$ 802,114

**TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY, SUPPLEMENTAL AND ROLLBACK TAXES
JULY 1, 2014 TO JUNE 30, 2015**

	Uncollected Taxes July 1, 2014	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2015	Uncollected Taxes Per Detail June 30, 2015
Real Estate Taxes:						
Levy of 2015	\$ -	\$ 12,957,272	\$ 218,715	\$ 12,407,518	\$ 331,039	\$ 331,039
Levy of 2014	344,629	-	63,155	268,999	12,475	12,475
Levy of 2013	17,454	-	6,156	11,298	-	-
Levy of 2012	(302)	-	-	(302)	-	-
	<u>361,781</u>	<u>12,957,272</u>	<u>288,026</u>	<u>12,687,513</u>	<u>343,514</u>	<u>343,514</u>
Personal Property Taxes:						
Levy of 2015	-	414,696	1,400	409,060	4,236	4,236
Levy of 2014	4,089	-	-	166	3,923	3,923
Levy of 2013	1,451	-	-	-	1,451	1,451
Levy of 2012	851	-	-	-	851	851
Levy of 2011	1,279	-	-	-	1,279	1,279
Prior Years	4,245	-	-	-	4,245	4,245
	<u>11,915</u>	<u>414,696</u>	<u>1,400</u>	<u>409,226</u>	<u>15,985</u>	<u>15,985</u>
Supplemental Taxes	<u>3,533</u>	<u>9,250</u>	<u>123</u>	<u>12,407</u>	<u>253</u>	<u>253</u>
Rollback Taxes	<u>12,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,997</u>	<u>12,997</u>
Total Real Estate, Personal Property, Supplemental and Rollback Taxes	<u>\$ 390,226</u>	<u>\$ 13,381,218</u>	<u>\$ 289,549</u>	<u>\$ 13,109,146</u>	<u>\$ 372,749</u>	<u>\$ 372,749</u>

**TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE, FARM ANIMAL AND BOAT EXCISE TAXES
JULY 1, 2014 TO JUNE 30, 2015**

	Uncollected Taxes July 1, 2014	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2015	Uncollected Taxes Per Detail June 30, 2015
Motor Vehicle Excise Taxes:						
Levy of 2015	\$ -	\$ 880,632	\$ 16,596	\$ 765,570	\$ 98,466	\$ 98,466
Levy of 2014	100,222	84,313	8,830	152,540	23,165	23,189
Levy of 2013	27,053	-	282	12,632	14,139	14,139
Levy of 2012	11,097	-	-	2,462	8,635	8,635
Levy of 2011	8,189	-	-	1,305	6,884	6,884
Prior Years	5,685	962	-	1,567	5,080	5,080
	<u>152,246</u>	<u>965,907</u>	<u>25,708</u>	<u>936,076</u>	<u>156,369</u>	<u>156,393</u>
Farm Animal Excise Taxes	<u>2,345</u>	<u>1,956</u>	<u>-</u>	<u>1,864</u>	<u>2,437</u>	<u>2,437</u>
Boat Excise Taxes	<u>622</u>	<u>2,479</u>	<u>95</u>	<u>2,382</u>	<u>624</u>	<u>624</u>
Total Motor Vehicle, Farm Animal and Boat Excise Taxes	<u>\$ 155,213</u>	<u>\$ 970,342</u>	<u>\$ 25,803</u>	<u>\$ 940,322</u>	<u>\$ 159,430</u>	<u>\$ 159,454</u>

**TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2014 TO JUNE 30, 2015**

	Uncollected Accounts July 1, 2014	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2015	Uncollected Accounts Per Detail June 30, 2015
Tax Liens	\$ 299,455	\$ 264,971	\$ -	\$ 84,501	\$ 479,925	\$ 479,925

TOWN OF WARE, MASSACHUSETTS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND INDEPENDENT AUDITORS' REPORTS REQUIRED
UNDER THE SINGLE AUDIT ACT AMENDMENTS OF 1996**

FOR THE YEAR ENDED JUNE 30, 2015

TOWN OF WARE, MASSACHUSETTS

**Independent Auditors' Reports Pursuant to
Governmental Auditing Standards and
The Single Audit Act Amendments of 1996**

For the Year Ended June 30, 2015

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Board of Selectmen
Town of Ware, Massachusetts

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ware, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Ware, Massachusetts' basic financial statements, and have issued our report thereon dated March 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Ware, Massachusetts' internal control over financial reporting (internal control) to determine the 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 of Ware, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Ware, Massachusetts' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ware, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

March 25, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Board of Selectmen
Town of Ware, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Town of Ware, Massachusetts' compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Ware, Massachusetts' major federal programs for the year ended June 30, 2015. The Town of Ware, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Ware, Massachusetts' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Ware, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Ware, Massachusetts' compliance.

Basis for Qualified Opinion on U. S. Department of Education – Special Education Cluster (CFDA Nos. 84.027 and 84.173)

As described in the accompanying schedule of findings and questioned costs, the Town of Ware, Massachusetts, did not comply with requirements regarding CFDA 84.027 and 84.173 - U. S. Department of Education – Special Education Cluster, as described in findings numbers 2015-001, 2015-002, and 2015-003, for Allowable Costs/Cost Principles, Cash Management, and Reporting Requirements.

Compliance with such requirements is necessary, in our opinion, for the Town of Ware, Massachusetts, to comply with the requirements applicable to that program.

Qualified Opinion on U. S. Department of Education – Special Education Cluster (CFDA Nos. 84.027 and 84.173)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Town of Ware, Massachusetts, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.027 and 84.173 – U. S. Department of Education – Special Education Cluster for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Town of Ware, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect of each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Report on Internal Control Over compliance

Management of the Town of Ware, Massachusetts, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Ware, Massachusetts' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Ware, Massachusetts' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, and 2015-003, that we consider to be significant deficiencies.

The Town of Ware, Massachusetts' responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of Ware, Massachusetts' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ware, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Ware, Massachusetts' basic financial statements. We issued our report thereon dated March 25, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

March 25, 2016

**TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
U. S. Department of Agriculture			
Passed Through Commonwealth of Massachusetts			
Department of Elementary and Secondary Education:			
Child Nutrition Cluster:			
School Breakfast Program	08-309	10.553	\$ 67,985
National School Lunch Program	08-309	10.555	321,933
Summer Food Service Program for Children	08-309	10.559	12,113
Total Child Nutrition Cluster			<u>402,031</u>
School Lunch Commodities	08-309	10.565	<u>36,867</u>
Total U. S. Department of Agriculture			<u>438,898</u>
U. S. Department of Housing and Urban Development			
Passed Through Commonwealth of Massachusetts			
Executive of Communities and Development:			
Passed Through to Pioneer Valley Planning Commission:			
Massachusetts Small Cities Program:			
Community Development Fund I - FY 2012	0679	14.228	81,343
Community Development Fund I - Ware River Valley - FY 2013	0716	14.228	578,287
Community Development Fund I - FY 2014	0740	14.228	31,787
Community Development Program Income		14.228	3,977
In Custody of Town:			
Economic Development Fund - Program Income		14.228	<u>81,000</u>
Total U. S. Department of Housing and Urban Development			<u>776,394</u>
TOTAL PAGE 1 OF 3			<u>\$ 1,215,292</u>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
U. S. Department of Education			
Passed Through Commonwealth of Massachusetts			
Department of Elementary and Secondary Education:			
Title I, Part A:			
Title I - 2014	305-017778-2014-0309	84.010	\$ 72,266
Title I - 2015	305-047448-2015-0309	84.010	260,434
Title I Supplemental Support - 2014	320-088-4-0309-O	84.010	7,699
Title I Supplemental Support - 2015	320-125-5-0309-P	84.010	3,539
Title I School Support - 2014	323-072-4-0309-O	84.010	6,506
Title I School Support - 2015	323-053-5-0309-P	84.010	14,593
Total Title I, Part A			<u>365,037</u>
Special Education Cluster:			
Special Education PL 94-142 Allocation - 2015	240-010-5-0309-P	84.027	366,149
Special Education Program Improvement - 2015	274-172-5-0309-P	84.027	7,853
Early Childhood SPED Program Improvement - 2014	298-245-4-0309-O	84.173	989
Total Special Education Cluster, Elementary and Secondary Education			<u>374,991</u>
Rural Education Achievement Program - 2015	690-001-5-0309-P	84.358	27,135
Improving Teacher Quality State Grants:			
Teacher Quality - 2014	140-031074-2014-0309	84.367	7,330
Teacher Quality - 2015	140-056683-2015-0309	84.367	65,601
Total Improving Teacher Quality State Grants			<u>72,931</u>
Race to the Top Incentive Grants, Recovery Act:			
Race to the Top - 2014	201-028735-2014-0309	84.395	5,053
Building Aligned Curriculum - 2015	133-016-5-0309-P	84.395	5,422
Total Race to the Top Incentive Grants			<u>10,475</u>
Passed Through Commonwealth of Massachusetts			
Department of Early Education and Care:			
Special Education Cluster:			
Special Education Early Childhood - 2015	EEC-262	84.173	15,750
Total Special Education Cluster, Early Education and Care			<u>15,750</u>
Total U. S. Department of Education			<u>866,319</u>
TOTAL PAGE 2 OF 3			<u>\$ 866,319</u>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
U. S. Department of Health and Human Services			
Passed Through Commonwealth of Massachusetts			
Department of Public Health:			
Mass Deployment Units		93.003	\$ 2,016
Passed Through City of Northampton, Massachusetts:			
Public Health Emergency Response		93.069	<u>609</u>
Total U. S. Department of Health and Human Services			<u><u>2,625</u></u>
U. S. Department of Homeland Security			
Passed Through Commonwealth of Massachusetts			
Emergency Management Agency:			
Emergency Management Performance Grants		97.042	<u>5,075</u>
Total U. S. Department of Homeland Security			<u><u>5,075</u></u>
TOTAL PAGE 3 OF 3			7,700
TOTAL PAGE 2 OF 3			866,319
TOTAL PAGE 1 OF 3			1,215,292
TOTAL FEDERAL AWARDS EXPENDED			<u><u>\$ 2,089,311</u></u>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**TOWN OF WARE, MASSACHUSETTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Town of Ware, Massachusetts, under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town of Ware, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Ware, Massachusetts.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting.
- (2) Pass-through entity identifying number are presented where available.

NOTE C - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, The Town of Ware, Massachusetts provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided
Community Development Block Grant	14.228	<u>\$ 91,972</u>

NOTE D – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

**TOWN OF WARE, MASSACHUSETTS
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of Auditor’s Report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____Yes X No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? _____Yes X No

Noncompliance material to financial statements noted? _____Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____Yes X No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? X Yes _____None Reported

Type of Auditor’s Report issued on compliance for major programs: *Qualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes _____No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	U. S. Department of Agriculture – Child Nutrition Cluster
14.228	U. S. Department of Housing and Urban Development – Community Development Block Grants/State’s Program
84.010	U. S. Department of Education – Title I
84.027, 84.173	U. S. Department of Education – Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____Yes X No

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings are summarized on the following pages 13, 14, and 15.

SECTION IV – PRIOR AUDIT FINDINGS

Status of prior year audit findings is summarized on page 16.

**TOWN OF WARE, MASSACHUSETTS
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Finding 2015-001

**U. S. Department of Education
Special Education Grants – CFDA No. 84.027
Special Education Preschool Grants – CFDA No. 84.173**

Passed Through Commonwealth of Massachusetts Department of Elementary and Secondary Education and Department of Early Education and Care

Non-Compliance/Significant Deficiency in Internal Control Over Compliance – Allowable Costs/Cost Principles – Time and Effort Certifications

Criteria:

OMB Circular A-87 Attachment B, paragraph 8.h.(3) states, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.”

OMB Circular A-87 Attachment B, paragraph 8.h.(4) states, “When employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation...” The personnel activity reports must reflect an after-the-fact distribution of the actual activity of each employee, must account for the total activity for which each employee is compensated, must be prepared at least monthly, must coincide with one or more pay periods, and must be signed by the employee and countersigned by an administrator or supervisor.

Condition:

During our audit, we did not find any documentation that time and effort certifications were obtained from any employees whose salaries were paid from the Special Education PL 94-142 Allocation grant or the Special Education Early Childhood grant.

Questioned Costs:

None reported.

Cause:

The Ware Public Schools did not adequately review the program records to assure that the proper time and effort documentation was obtained. There has been turnover in personnel administering the Special Education programs, both in the Director and the Secretary/Bookkeeper.

Effect:

Some employees' salaries may be inappropriately charged to Federal programs.

Recommendation:

The Ware Public Schools should obtain the required time and effort certifications from all employees paid from Federal grants.

Management's Response:

The Ware Public Schools agree with this finding. The school district has hired a new special education director and administrative assistant who are aware of the time and effort requirement and will complete as required.

**TOWN OF WARE, MASSACHUSETTS
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Finding 2015-002

**U. S. Department of Education
Special Education Grants – CFDA No. 84.027**

Passed Through Commonwealth of Massachusetts Department of Elementary and Secondary Education

Noncompliance/Significant Deficiency in Internal Control Over Compliance – Cash Management – Timely Requests for Funds

Criteria:

Requests for payment of grant funds are to be submitted monthly with the Massachusetts Department of Elementary and Secondary Education (DESE). DESE has set up a procedure that when a grant is approved, an initial amount is disbursed to the Local Educational Agency (LEA) and the LEA requests funds within the last ten days of each month for the next month's cash flow needs.

Condition:

For the Special Education 94-142 Allocation grant, an initial amount was disbursed to the Town at the beginning of the grant period. The Ware Public Schools did not consistently file monthly requests for payment. Payments were requested in September 2014, April 2015, and July 2015. A final payment of \$288,444, or 78% of the \$366,149 grant, was requested at the end of August 2015, at which time if the payment was not requested, the Town would have not have been able to request any remaining funds.

Questioned Costs:

None noted.

Cause:

There has been turnover in personnel in the special education department, and the personnel responsible for the grant were unfamiliar with the procedures for grants management. Furthermore, a large portion of the grant funds were for tuitions for students in special programs and these bills were charged to the general fund budget, then a journal entry was made at the end of the year to reclassify some of the bills from the general fund budget to the grant.

Effect:

Although funds were eventually received by the Town, the effect is that the Town had to use its cash flow from other Town funds to pay expenses of the grant through the grant period until funds were received at the end of the grant period.

Recommendation:

The Ware Public Schools should monitor the cash flow projections for the grant and request funds monthly. Expenses for the grant should be charged directly to the grant, rather than charged to the school budget and later charged to the grant by a journal entry to reclassify expenses.

Management's Response:

The Ware Public Schools agrees with this finding. The new special education director will coordinate cash drawdowns with the school business office to ensure proper cash management procedures.

**TOWN OF WARE, MASSACHUSETTS
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Finding 2015-003

**U. S. Department of Education
Special Education Grants – CFDA No. 84.027
Special Education Preschool Grants – CFDA No. 84.173**

*Passed Through Commonwealth of Massachusetts Department of Elementary and
Secondary Education*

Noncompliance/Significant Deficiency in Internal Control Over Compliance – Reporting Requirements – Late Filing of Final Financial Reports

Criteria:

The Massachusetts Department of Early Education and Care requires Final Financial Reports to be filed for all grants within 60 days after the end of the grant period.

Condition:

The Ware Public Schools filed the Final Financial Reports for the SPED 94-142 Allocation grant and for the SPED Program Improvement grant on February 1, 2016, and for the Early Childhood SPED Program Improvement grant on March 14, 2016. The grant period for these grants ended August 31, 2015 and the Final Financial Reports were due by October 31, 2015. The Final Financial Reports were filed three months late and four and one-half months late, respectively.

Questioned Costs:

None noted.

Cause:

There has been turnover in personnel administering the Special Education programs, both in the Director and the Secretary/Bookkeeper. The grant closeout period occurred during the time of transition in personnel.

Effect:

The Ware Public Schools did not comply with the time requirements for filing Final Financial Reports to close out these three grants. The Massachusetts Department of Elementary and Secondary Education could withhold future grant payments from the Town if Final Financial Reports are not filed by the deadline. This could have a negative effect on the Town's cash flow.

Recommendation:

The Ware Public Schools should monitor reporting of grants to assure that all Final Financial Reports are filed by the deadline.

Management's Response:

The Ware Public Schools agrees with this finding and the new personnel in the special education department are aware of the deadline for the filing of grant reports and will do so accordingly.

**TOWN OF WARE, MASSACHUSETTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Finding 2014-001: U. S. Department of Education – Special Education Grants (CFDA No. 84.027) and Special Education Preschool Grants (CFDA No. 84.173) – Noncompliance/Significant Deficiency in Internal Control Over Compliance – Allowable Costs/Cost Principles

Passed Through Commonwealth of Massachusetts Department of Elementary and Secondary Education and Department of Early Education and Care

Prior Year Comment:

The finding indicated that the Ware Public Schools did not obtain time and effort certifications from employees whose salaries were paid from the Special Education grants.

Status:

In fiscal year 2015, the Ware Public Schools did not obtain time and effort certifications from any employees whose salaries were paid from Special Education grants.

The finding is repeated as current audit finding 2015-001.

Finding 2014-002: U. S. Department of Education – Special Education Grants (CFDA No. 84.027) and Special Education Preschool Grants (CFDA No. 84.173) – Noncompliance/Significant Deficiency in Internal Control Over Compliance – Reporting Requirements

Passed Through Commonwealth of Massachusetts Department of Elementary and Secondary Education

Prior Year Comment:

The finding indicated that the Ware Public Schools filed Final Financial Reports late for two special education grants.

Status:

In fiscal year 2015, the Ware Public Schools filed Final Financial Reports late for three grants.

The finding is repeated as current audit finding 2015-003.