

**TOWN OF WARE, MASSACHUSETTS**

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

**For the Year Ended June 30, 2016**

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**For the Year Ended June 30, 2016**

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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, 2016, and the related notes to the financial statements, which collectively comprise the Town of Ware, Massachusetts' 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, 2016, 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 17, 2017, 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 17, 2017

## **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, 2016. 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 \$3,444,371 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$4,497,279 a decrease of \$1,052,908 (23%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$3,307,389, an increase of \$223,519 (7%) in comparison with prior year.
- The General Fund's total fund balance increased \$169,599 (7%) to \$2,451,355. The ending General Fund balance is 8% of revenues and transfers in and 8% of expenditures and transfers out.
- Total long term liabilities of the Town increased by \$2,294,896 (6%) to \$41,597,653 during the fiscal year. This net change resulted mainly from the decrease in bonds and leases payable of \$1,178,655, and increases in notes payable of \$911,335, in the other post employment benefit (OPEB) liability of \$1,433,744 and in the net pension liability of \$1,232,473.
- The Town had General Fund free cash certified by the Department of Revenue in the amount of \$952,051. The key factors that attributed to the free cash amount for fiscal year 2016 were unexpended/unencumbered appropriations of \$255,200, excess over budget – State and local receipts of \$456,000.
- The Town's enterprise funds certified free cash is as follows:
  - Sewer fund                      \$ 273,627.
  - Water Fund                        \$ 773,169.

### 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		
	2016	2015	Change
<b>Assets:</b>			
Current assets	\$ 9,662,031	\$ 8,751,345	\$ 910,686
Noncurrent assets (excluding capital assets)	1,530,425	2,254,092	(723,667)
Capital assets	26,038,468	26,071,832	(33,364)
<b>Total assets</b>	<b>37,230,924</b>	<b>37,077,269</b>	<b>153,655</b>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows related to pensions	1,660,204	472,948	1,187,256
<b>Liabilities:</b>			
Current liabilities (excluding debt and leases)	1,987,393	2,073,795	(86,402)
Current debt including leases	3,008,147	2,312,505	695,642
Noncurrent liabilities (excluding debt and leases)	29,291,961	26,719,244	2,572,717
Noncurrent debt including leases	4,435,393	5,515,355	(1,079,962)
<b>Total liabilities</b>	<b>38,722,894</b>	<b>36,620,899</b>	<b>2,101,995</b>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows related to pensions	466,435	41,123	425,312
<b>Net Position:</b>			
Net investment in capital assets	21,498,255	21,670,820	(172,565)
Restricted	2,586,747	2,258,911	327,836
Unrestricted	(24,383,203)	(23,041,536)	(1,341,667)
<b>Total net position</b>	<b>\$ (298,201)</b>	<b>\$ 888,195</b>	<b>\$ (1,186,396)</b>

	Business-Type Activities		
	2016	2015	Change
<b>Assets:</b>			
Current assets	\$ 1,826,301	\$ 1,797,037	\$ 29,264
Capital assets	4,700,547	4,462,031	238,516
<b>Total assets</b>	<b>6,526,848</b>	<b>6,259,068</b>	<b>267,780</b>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows related to pensions	125,836	34,910	90,926
<b>Liabilities:</b>			
Current liabilities (excluding debt)	76,287	145,560	(69,273)
Current debt	320,000	103,000	217,000
Noncurrent liabilities (excluding debt)	1,578,472	1,433,298	145,174
Noncurrent debt	900,000	1,000,000	(100,000)
<b>Total liabilities</b>	<b>2,874,759</b>	<b>2,681,858</b>	<b>192,901</b>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows related to pensions	35,353	3,036	32,317
<b>Net Position:</b>			
Net investment in capital assets	3,480,547	3,359,031	121,516
Restricted	48,516	48,516	-
Unrestricted	213,509	201,537	11,972
<b>Total net position</b>	<b>\$ 3,742,572</b>	<b>\$ 3,609,084</b>	<b>\$ 133,488</b>



## Financial Highlights

### Statement of Activities Highlights

	Governmental Activities		
	2016	2015	Change
<b>Program Revenues:</b>			
Charges for services	\$ 1,768,613	\$ 1,807,152	\$ (38,539)
Operating grants and contributions	14,653,832	13,677,939	975,893
Capital grants and contributions	434,839	787,908	(353,069)
<b>General Revenues:</b>			
Property taxes	13,793,654	13,329,040	464,614
Motor vehicle excise and other taxes	1,134,357	1,045,461	88,896
Penalties and interest on taxes	84,174	84,631	(457)
Nonrestricted grants	1,998,008	1,946,755	51,253
Unrestricted investment income	18,314	9,384	8,930
Gain on Sale of Town Property	60,722	-	60,722
Miscellaneous	3,343	5,943	(2,600)
<b>Total revenues</b>	<b>33,949,856</b>	<b>32,694,213</b>	<b>1,255,643</b>
<b>Expenses:</b>			
General Government	1,374,030	1,452,503	(78,473)
Public Safety	3,926,299	3,650,007	276,292
Public Works	1,625,031	2,191,282	(566,251)
Education	16,521,501	16,386,602	134,899
Health and Human Services	977,838	1,248,844	(271,006)
Culture and Recreation	417,244	482,623	(65,379)
Employee Benefits and Insurance	9,091,333	7,978,921	1,112,412
State Assessments	1,176,550	1,151,976	24,574
Interest	211,109	258,628	(47,519)
<b>Total expenses</b>	<b>35,320,935</b>	<b>34,801,386</b>	<b>519,549</b>
<b>Net (expenses) revenues</b>	<b>(1,371,079)</b>	<b>(2,107,173)</b>	<b>736,094</b>
<b>Transfers</b>	<b>184,683</b>	<b>198,972</b>	<b>(14,289)</b>
<b>Change in net position</b>	<b>(1,186,396)</b>	<b>(1,908,201)</b>	<b>721,805</b>
<b>Net position - beginning of year</b>	<b>888,195</b>	<b>2,796,396</b>	<b>(1,908,201)</b>
<b>Net position - end of year</b>	<b>\$ (298,201)</b>	<b>\$ 888,195</b>	<b>\$ (1,186,396)</b>

	<b>Business-Type Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Change</b>
<b>Program Revenues:</b>			
Charges for services	\$ 1,737,352	\$ 1,894,186	\$ (156,834)
Operating grants and contributions	1,426	1,733	(307)
<b>Total revenues</b>	<b>1,738,778</b>	<b>1,895,919</b>	<b>(157,141)</b>
<b>Expenses:</b>			
Water	709,840	656,628	53,212
Sewer	710,767	770,330	(59,563)
<b>Total expenses</b>	<b>1,420,607</b>	<b>1,426,958</b>	<b>(6,351)</b>
<b>Net (expenses) revenues</b>	<b>318,171</b>	<b>468,961</b>	<b>(150,790)</b>
<b>Transfers</b>	<b>(184,683)</b>	<b>(198,972)</b>	<b>14,289</b>
<b>Change in net position</b>	<b>133,488</b>	<b>269,989</b>	<b>(136,501)</b>
<b>Net position - beginning of year</b>	<b>3,609,084</b>	<b>3,339,095</b>	<b>269,989</b>
<b>Net position - end of year</b>	<b>\$ 3,742,572</b>	<b>\$ 3,609,084</b>	<b>\$ 133,488</b>

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,444,371 at the close of fiscal year 2016.

Net position of \$24,978,802 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 \$2,635,263, represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$24,169,694).

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 \$1,186,396 (134%) 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 2016 are attributed to the depreciation expense (normally spread out over the useful life of the asset) for the year of \$1,618,891 exceeding the acquisition of \$1,585,527 in new capital assets, decreases as a result of recognizing this year's OPEB obligation of \$1,401,287 and net pension liability of \$1,118,194, and an increase from the net change in debt and leases of \$1,075,655.

There was an increase of \$133,488 (4%) in net position reported in the business-type activities. Of this, there was a decrease of \$6,612 attributed to the sewer department and an increase of \$140,100 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 \$3,307,389 an increase of \$223,519 (7%) in comparison with the prior year.

The breakdown of the governmental funds is as follows:

- Nonspendable fund balance – \$144,158 (4%).
- Restricted fund balance – \$1,531,943 (46%).
- Committed fund balance – \$178,876 (5%).
- Assigned fund balance – \$610,677 (19%).
- Unassigned fund balance – \$841,735 (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 \$2,451,355 increasing \$169,599 (7%) from the prior year. Of the \$2,451,355, the unassigned amount is \$1,840,678 (75%) and the assigned amount is \$610,677 (25%). General fund revenues were \$1,368,883 (5%) more than the prior fiscal year and expenditures also increased by \$1,007,202 (3%). Other activity in the General Fund consisted of net transfers from other funds of \$673,385 and proceeds from a capital lease of \$248,595.

The main components of the increases in general fund revenues were related to an increase in property taxes of \$492,347 (4%), in intergovernmental receipts of \$199,558 (2%) and in intergovernmental – "on-behalf" payments of \$546,291 (42%) from the prior year.

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

- Increase in Public safety expenditures of \$175,576 (6%).
- Decrease in Public works expenditures of \$250,066 (22%).
- Increase in Education expenditures of \$334,612 (3%).
- Increase in Employee benefits and insurance expenditures of \$752,734 (11%).

**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 \$427,297 used in the financing and operations of the Town's sewer system. The fund shows a decrease of \$6,612 (2%) in total operations. This change was mainly attributed to operating revenues exceeding operating costs by \$87,466, interest income of \$452, interest expense of \$10,518 and transfers to the general fund of \$84,012 for indirect costs. Operating revenues decreased by \$128,058 (14%) while operating expenses also decreased by \$58,914 (8%) from the prior year.

The *Water Fund* has accumulated a fund balance of \$3,315,275 used in the financing and operations of the Town's water system. The fund shows an increase of \$140,100 (4%) in total operations. This change was mainly attributed to operating revenues exceeding operating costs by \$267,063, interest income of \$974, interest expense of \$27,266 and transfers to the general fund of \$100,671 for indirect costs. Operating revenues decreased by \$28,776 (3%) while operating expenses increased by \$56,181 (9%) 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 2016 as well as the final budget are presented. The final general fund budget for fiscal year 2016 was \$28,408,945. This was an increase of \$733,182 (3%) over the previous year's budget.

There was an increase of \$91,837 between the original budget and the final amended budget. The change is attributed to votes at the special town meetings in November 2015 and May 2016 for various budget operating line items.

General fund expenditures were less than budgeted by \$507,078. Of the \$507,078 in under budget expenditures, \$281,877 has been carried over to fiscal year 2017.

There was a negative variance in state assessments of \$32,599 due to a higher assessment in special education (SPED) of \$23,755 than payments, and higher payments in the school choice sending tuitions of \$21,208 and in the charter school sending tuitions of \$35,146 than actual assessments.

Overall the variance with the final budget was a positive \$692,938 consisting of a revenue surplus of \$467,737 and an appropriation surplus of \$225,201.

## 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, 2016 amounts to \$26,038,468 and \$4,700,547, 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 equipment for \$25,072.
- Fire Department vehicle for \$248,595.
- Highway vehicles and equipment for \$353,630.
- Roads, parking and sidewalks infrastructure improvements for \$540,617.
- School flooring for \$43,094.
- Landfill capping for \$310,600.
- Rail Trail improvements for \$63,920.

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

- Wastewater Treatment Plant roof for \$55,000.
- Water infrastructure improvements for \$316,243.

**Debt Administration.** The Town's outstanding governmental debt, as of June 30, 2016, totaled \$5,488,535, of which \$2,755,000 is for the school projects, \$1,664,735 is for the various construction and building improvements, \$485,000 for departmental equipment, \$412,300 is for landfill projects, \$65,000 for veteran's park and \$106,500 for road improvements.

The governmental activities also has bond and state anticipation notes outstanding for \$1,650,455 of which \$1,071,219 is for various projects, vehicles and equipment purchases and \$579,236 is for highway anticipated revenue from the Commonwealth.

The Town also has capital leases for two Emergency Medical Services vehicles 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 \$343,670 on the leases consisting of \$304,550 in principal and \$39,120 in interest.

The Town's outstanding business-type debt totaled \$1,000,000 consisting of \$360,400 in sewer debt and \$639,600 in water debt.

The business-type activities also have a bond anticipation note outstanding for \$220,000 for the Richfield Avenue water main project.

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, 2016 do not reflect the fiscal year 2017 Town Meeting action with the exception of the fund balance (free cash) and overlay surplus amounts used to fund the 2017 budget. The Annual Town Meeting on May 9, 2016 authorized a fiscal year 2017 operating and capital budget as follows:

From raise and appropriate		\$	27,486,861
From water revenues	\$	757,080	
From water reserve fund		33,750	790,830
From sewer revenues		749,350	
From sewer reserve fund		19,129	768,479
From Other Available Funds:			
<b>General Fund:</b>			
Unassigned fund balance:			
Free cash		248,800	
Continuing appropriations		37,000	
Overlay surplus		80,000	365,800
<b>Non-major Governmental Funds:</b>			
Sale of cemetery lots			2,500
			<u>29,414,470</u>
		\$	<u>29,414,470</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, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
CURRENT:			
Cash and Cash Equivalents	\$ 4,973,947	\$ 1,582,817	\$ 6,556,764
Investments	863,697	-	863,697
Cash in Custody of Others	147,146	-	147,146
Receivables, net of allowance for uncollectibles:			
Property Taxes	399,781	-	399,781
Tax Liens	523,129	-	523,129
Excise Taxes	145,568	-	145,568
User Charges	-	218,769	218,769
Departmental	261,528	24,715	286,243
Due from Other Governments	2,347,235	-	2,347,235
Total current assets	9,662,031	1,826,301	11,488,332
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Due from Other Governments	1,530,425	-	1,530,425
Capital Assets, net of accumulated Depreciation:			
Non-depreciable	2,707,652	694,075	3,401,727
Depreciable	23,330,816	4,006,472	27,337,288
Total noncurrent assets	27,568,893	4,700,547	32,269,440
<b>Total Assets</b>	<b>37,230,924</b>	<b>6,526,848</b>	<b>43,757,772</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	1,660,204	125,836	1,786,040
<b>LIABILITIES</b>			
CURRENT:			
Warrants and Accounts Payable	995,480	46,254	1,041,734
Accrued Payroll	748,698	10,465	759,163
Payroll Withholdings	19,205	-	19,205
Tax Refund Payable	47,300	-	47,300
Other	36,778	-	36,778
Accrued Interest	55,909	9,067	64,976
Compensated Absences	84,023	10,501	94,524
Notes Payable	1,650,455	220,000	1,870,455
Bonds and Leases Payable	1,357,692	100,000	1,457,692
Total current liabilities	4,995,540	396,287	5,391,827
NONCURRENT:			
Compensated Absences	399,589	11,805	411,394
OPEB Obligation Payable	12,864,973	351,861	13,216,834
Net Pension Liability	16,027,399	1,214,806	17,242,205
Bonds and Leases Payable	4,435,393	900,000	5,335,393
Total noncurrent liabilities	33,727,354	2,478,472	36,205,826
<b>Total Liabilities</b>	<b>38,722,894</b>	<b>2,874,759</b>	<b>41,597,653</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions	466,435	35,353	501,788
<b>NET POSITION</b>			
Net Investments in Capital Assets	21,498,255	3,480,547	24,978,802
Restricted for:			
Capital Projects	125,937	48,516	174,453
Federal & State Grants	1,277,571	-	1,277,571
Permanent Funds:			
Expendable	122,777	-	122,777
Nonexpendable	144,158	-	144,158
Other Purposes	916,304	-	916,304
Unrestricted	(24,383,203)	213,509	(24,169,694)
<b>Total Net Position</b>	<b>\$ (298,201)</b>	<b>\$ 3,742,572</b>	<b>\$ 3,444,371</b>

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, 2016**

	<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>
<b>Governmental Activities:</b>							
General Government	\$ 1,374,030	\$ 224,047	\$ 39,351	\$ -	\$ (1,110,632)	\$ -	\$ (1,110,632)
Public Safety	3,926,299	1,207,932	253,198	-	(2,465,169)	-	(2,465,169)
Public Works	1,625,031	9,984	643,524	434,839	(536,684)	-	(536,684)
Education	16,521,501	243,449	11,230,114	-	(5,047,938)	-	(5,047,938)
Health and Human Services	977,838	34,416	487,975	-	(455,447)	-	(455,447)
Culture and Recreation	417,244	48,785	81,665	-	(286,794)	-	(286,794)
Employee Benefits and Insurance	9,091,333	-	1,813,992	-	(7,277,341)	-	(7,277,341)
State Assessments	1,176,550	-	-	-	(1,176,550)	-	(1,176,550)
Interest	211,109	-	104,013	-	(107,096)	-	(107,096)
<b>Total Governmental Activities</b>	<b>35,320,935</b>	<b>1,768,613</b>	<b>14,653,832</b>	<b>434,839</b>	<b>(18,463,651)</b>	<b>-</b>	<b>(18,463,651)</b>
<b>Business-Type Activities:</b>							
Water	709,840	949,637	974	-	-	240,771	240,771
Sewer	710,767	787,715	452	-	-	77,400	77,400
<b>Total Primary Government</b>	<b>\$ 36,741,542</b>	<b>\$ 3,505,965</b>	<b>\$ 14,655,258</b>	<b>\$ 434,839</b>	<b>(18,463,651)</b>	<b>318,171</b>	<b>(18,145,480)</b>
<b>General Revenues:</b>							
Property taxes					13,793,654	-	13,793,654
Motor vehicle excise and other taxes					1,134,357	-	1,134,357
Penalties & Interest on taxes					84,174	-	84,174
Grants & Contributions not restricted to specific programs					1,998,008	-	1,998,008
Unrestricted investment income					18,314	-	18,314
Gain on Sale of Town Property					60,722	-	60,722
Miscellaneous					3,343	-	3,343
<b>Transfers, net</b>					<b>184,683</b>	<b>(184,683)</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>					<b>17,277,255</b>	<b>(184,683)</b>	<b>17,092,572</b>
<b>Change in Net Position</b>					<b>(1,186,396)</b>	<b>133,488</b>	<b>(1,052,908)</b>
<b>Net Position:</b>							
Beginning of year					888,195	3,609,084	4,497,279
End of year					<b>\$ (298,201)</b>	<b>\$ 3,742,572</b>	<b>\$ 3,444,371</b>

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



**TOWN OF WARE MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 3,306,181	\$ 1,667,766	\$ 4,973,947
Investments	542,048	321,649	863,697
Cash in Custody of Others	-	147,146	147,146
Receivables, net of allowance for uncollectibles:			
Property Taxes	399,781	-	399,781
Tax Liens	523,129	-	523,129
Excise Taxes	145,568	-	145,568
Departmental	-	261,528	261,528
Due from Other Governments	2,506,482	1,326,564	3,833,046
<b>Total Assets</b>	<b>\$ 7,423,189</b>	<b>\$ 3,724,653</b>	<b>\$ 11,147,842</b>
<b>Liabilities:</b>			
Warrants and Accounts Payable	\$ 739,389	\$ 256,091	\$ 995,480
Accrued Payroll	715,611	33,087	748,698
Payroll Withholdings	19,205	-	19,205
Tax Refund Payable	47,300	-	47,300
Other	36,778	-	36,778
Notes Payable	-	1,650,455	1,650,455
<b>Total Liabilities</b>	<b>1,558,283</b>	<b>1,939,633</b>	<b>3,497,916</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue	3,413,551	928,986	4,342,537
<b>Fund Balance:</b>			
Nonspendable	-	144,158	144,158
Restricted	-	1,531,943	1,531,943
Committed	-	178,876	178,876
Assigned	610,677	-	610,677
Unassigned	1,840,678	(998,943)	841,735
<b>Total Fund Balance</b>	<b>2,451,355</b>	<b>856,034</b>	<b>3,307,389</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 7,423,189</b>	<b>\$ 3,724,653</b>	<b>\$ 11,147,842</b>

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, 2016**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property Taxes	\$ 13,695,694	\$ -	\$ 13,695,694
Intergovernmental	12,004,026	3,777,236	15,781,262
Excise and Other Taxes	1,126,241	-	1,126,241
Licenses, Permits, Fees	469,632	-	469,632
Charges for Services	-	1,389,069	1,389,069
Interest on Taxes	84,174	-	84,174
Investment Income	18,314	13,615	31,929
Gifts and Donations	-	104,061	104,061
Other	-	30,501	30,501
Intergovernmental - "On-behalf" Payments	1,835,185	-	1,835,185
<b>Total Revenues</b>	<b>29,233,266</b>	<b>5,314,482</b>	<b>34,547,748</b>
<b>Expenditures:</b>			
Current:			
General Government	1,161,290	182,751	1,344,041
Public Safety	3,263,061	554,232	3,817,293
Public Works	873,823	1,711,055	2,584,878
Education	13,696,900	2,027,714	15,724,614
Health and Human Services	591,766	297,763	889,529
Culture and Recreation	348,779	74,338	423,117
Employee Benefits and Insurance	7,333,796	-	7,333,796
State Assessments	1,176,550	-	1,176,550
Debt Service:			
Principal	1,312,912	6,875	1,319,787
Interest	226,770	66	226,836
<b>Total Expenditures</b>	<b>29,985,647</b>	<b>4,854,794</b>	<b>34,840,441</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(752,381)</b>	<b>459,688</b>	<b>(292,693)</b>
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	761,385	88,000	849,385
Operating Transfers Out	(88,000)	(576,702)	(664,702)
Proceeds from Issuance of Bonds	-	22,212	22,212
Capital Lease	248,595	-	248,595
Sale of Town Property	-	60,722	60,722
<b>Total Other Financing Sources (Uses)</b>	<b>921,980</b>	<b>(405,768)</b>	<b>516,212</b>
<b>Net Change in Fund Balances</b>	<b>169,599</b>	<b>53,920</b>	<b>223,519</b>
<b>Fund Balances, Beginning of Year</b>	<b>2,281,756</b>	<b>802,114</b>	<b>3,083,870</b>
<b>Fund Balances, End of Year</b>	<b>\$ 2,451,355</b>	<b>\$ 856,034</b>	<b>\$ 3,307,389</b>

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, 2016**

<b>Total Governmental Fund Balances</b>		\$	3,307,389
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			26,038,468
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			4,387,151
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.			1,193,769
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	\$	(5,793,085)	
Other Post Employment Benefits Payable		(12,864,973)	
Net Pension Liability		(16,027,399)	
Compensated Absences		(483,612)	(35,169,069)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.			(55,909)
<b>Net Position of Governmental Activities</b>		<b>\$</b>	<b>(298,201)</b>

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, 2016**

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ 223,519</b>
<p>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:</p>		
Capital Outlay Purchases	\$ 1,585,527	
Depreciation	<u>(1,618,891)</u>	(33,364)
<p>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.</p>		
		(658,614)
<p>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:</p>		
Repayment of Debt and Lease Principal	1,346,462	
Proceeds from Capital Lease	(248,595)	
Proceeds from Bonds and Notes	<u>(22,212)</u>	1,075,655
<p>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:</p>		
Net Change in Compensated Absences	(51,782)	
Net Change in Other Post Employment Benefits	(1,401,287)	
Net Change in Net Pension Liability	(1,118,194)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	761,944	
Net Change in Accrued Interest on Long-Term Debt	<u>15,727</u>	(1,793,592)
<b>Change in Net Position of Governmental Activities</b>		<b><u>\$ (1,186,396)</u></b>

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, 2016**

	Budgeted Amounts				Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried		Actual			
	Forward from Prior Year	Original Budget	Final Budget	Budgetary Basis		
<b>Revenues:</b>						
Property Taxes	\$ -	\$ 13,734,101	\$ 13,736,205	\$ 13,747,994	\$ -	\$ 11,789
Intergovernmental	-	11,795,447	11,795,447	12,004,026	-	208,579
Excise and Other Taxes	-	963,337	963,337	1,126,241	-	162,904
Licenses, Permits, Fees	-	400,500	400,500	469,632	-	69,132
Interest on Taxes	-	70,000	70,000	84,174	-	14,174
Interest on Investments	-	5,000	5,000	6,159	-	1,159
<b>Total Revenues</b>	-	26,968,385	26,970,489	27,438,226	-	467,737
<b>Expenditures:</b>						
Current:						
General Government	44,008	1,182,926	1,247,271	1,161,290	47,683	38,298
Public Safety	12,714	3,017,242	3,083,956	3,014,466	20,863	48,627
Public Works	27,444	871,537	918,981	873,823	38,864	6,294
Education	31,708	13,816,295	13,848,003	13,696,900	144,420	6,683
Health and Human Services	600	607,039	627,639	591,766	1,383	34,490
Culture and Recreation	2,041	353,263	377,304	348,779	23,664	4,861
Employee Benefits and Insurance	-	5,603,010	5,593,510	5,519,804	5,000	68,706
State Assessments	-	1,143,951	1,143,951	1,176,550	-	(32,599)
Debt Service:						
Principal	-	1,307,000	1,307,000	1,299,214	-	7,786
Interest	-	296,330	261,330	219,275	-	42,055
<b>Total Expenditures</b>	118,515	28,198,593	28,408,945	27,901,867	281,877	225,201
<b>Excess of Revenues Over (Under) Expenditures</b>	(118,515)	(1,230,208)	(1,438,456)	(463,641)	(281,877)	692,938
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	-	789,330	789,330	761,385	-	(27,945)
Operating Transfers Out	-	(70,000)	(158,000)	(158,000)	-	-
<b>Total Other Financing Sources (Uses)</b>	-	719,330	631,330	603,385	-	(27,945)
<b>Net Change in Budgetary Fund Balance</b>	(118,515)	(510,878)	(807,126)	\$ 139,744	\$ (281,877)	\$ 664,993
<b>Other Budgetary Items:</b>						
Free Cash and Other Reserves	-	706,000	883,733			
Prior Year Deficits	-	(195,122)	(195,122)			
Prior Year Encumbrances	118,515	-	118,515			
<b>Total Other Budgetary Items</b>	118,515	510,878	807,126			
<b>NET BUDGET</b>	\$ -	\$ -	\$ -			

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, 2016**

	<b>Revenues</b>	<b>Expenditures</b>
<b>Reported on a Budgetary Basis</b>	<b>\$ 27,438,226</b>	<b>\$ 27,901,867</b>
<i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	12,155	-
Net Decrease in Revenue from recording Refund Taxes Payable	(31,300)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	1,835,185	-
Recognition of Expenditures - "on behalf payments"	-	1,835,185
Net Decrease in Revenue from Recording 60-Day Receipts	(21,000)	-
Capital Leases	-	248,595
<b>Reported on a GAAP Basis</b>	<b>\$ 29,233,266</b>	<b>\$ 29,985,647</b>

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, 2016**

	<b>Business-Type Activities Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and Cash Equivalents	\$ 1,124,802	\$ 458,015	\$ 1,582,817
User Charges, net of allowance for uncollectibles	110,627	108,142	218,769
Due from Others	-	24,715	24,715
<b>Total current assets</b>	<b>1,235,429</b>	<b>590,872</b>	<b>1,826,301</b>
<b>NONCURRENT:</b>			
Capital Assets, net of accumulated Depreciation			
Non-depreciable	326,700	367,375	694,075
Depreciable	3,419,822	586,650	4,006,472
<b>Total noncurrent assets</b>	<b>3,746,522</b>	<b>954,025</b>	<b>4,700,547</b>
<b>Total Assets</b>	<b>4,981,951</b>	<b>1,544,897</b>	<b>6,526,848</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	64,412	61,424	125,836
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Accounts Payable	25,681	20,573	46,254
Accrued Payroll	3,907	6,558	10,465
Accrued Interest	7,720	1,347	9,067
Compensated Absences	4,928	5,573	10,501
Bond Anticipation Notes Payable	220,000	-	220,000
Bonds Payable	73,300	26,700	100,000
<b>Total current liabilities</b>	<b>335,536</b>	<b>60,751</b>	<b>396,287</b>
<b>NONCURRENT:</b>			
Compensated Absences	5,035	6,770	11,805
OPEB Obligation Payable	184,291	167,570	351,861
Net Pension Liability	621,830	592,976	1,214,806
Bonds Payable	566,300	333,700	900,000
<b>Total noncurrent liabilities</b>	<b>1,377,456</b>	<b>1,101,016</b>	<b>2,478,472</b>
<b>Total Liabilities</b>	<b>1,712,992</b>	<b>1,161,767</b>	<b>2,874,759</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions	18,096	17,257	35,353
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,886,922	593,625	3,480,547
Restricted for Capital	47,815	701	48,516
Unrestricted	380,538	(167,029)	213,509
<b>Total Net Position</b>	<b>\$ 3,315,275</b>	<b>\$ 427,297</b>	<b>\$ 3,742,572</b>

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, 2016**

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>Operating Revenues:</b>			
Charges for Services	\$ 940,091	\$ 783,834	\$ 1,723,925
Other	9,546	3,881	13,427
<b>Total Operating Revenues</b>	<u>949,637</u>	<u>787,715</u>	<u>1,737,352</u>
<b>Operating Expenses:</b>			
Salaries & Wages	224,309	216,914	441,223
Operating Expenses	347,457	461,416	808,873
Depreciation	110,808	21,919	132,727
<b>Total Operating Expenses</b>	<u>682,574</u>	<u>700,249</u>	<u>1,382,823</u>
<b>Operating Income (Loss)</b>	<u>267,063</u>	<u>87,466</u>	<u>354,529</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment Income	974	452	1,426
Interest Expense	(27,266)	(10,518)	(37,784)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(26,292)</u>	<u>(10,066)</u>	<u>(36,358)</u>
<b>Income (Loss) Before Operating Transfers</b>	<u>240,771</u>	<u>77,400</u>	<u>318,171</u>
<b>Operating Transfers:</b>			
Transfer In (Out)	(100,671)	(84,012)	(184,683)
<b>Total Operating Transfers</b>	<u>(100,671)</u>	<u>(84,012)</u>	<u>(184,683)</u>
<b>Change in Net Position</b>	<u>140,100</u>	<u>(6,612)</u>	<u>133,488</u>
<b>Net Position at Beginning of Year</b>	<u>3,175,175</u>	<u>433,909</u>	<u>3,609,084</u>
<b>Net Position at End of Year</b>	<u>\$ 3,315,275</u>	<u>\$ 427,297</u>	<u>\$ 3,742,572</u>

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, 2016**

	<b>Business-Type Activities Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Cash Flows From Operating Activities:</b>			
Receipts from Customers and Users	\$ 957,956	\$ 820,102	\$ 1,778,058
Receipts from Other Revenues	9,546	3,881	13,427
Payments to Vendors	(358,279)	(457,556)	(815,835)
Payments to Employees	(225,201)	(215,597)	(440,798)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>384,022</b>	<b>150,830</b>	<b>534,852</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers from (to) Other Funds	(100,671)	(84,012)	(184,683)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(100,671)</b>	<b>(84,012)</b>	<b>(184,683)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Proceeds from the Issuance of Bonds and Notes	220,000	-	220,000
Acquisition and Construction of Capital Assets	(316,243)	(55,000)	(371,243)
Principal Payments on Bonds and Notes	(73,300)	(29,700)	(103,000)
Interest Expense	(28,024)	(10,646)	(38,670)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(197,567)</b>	<b>(95,346)</b>	<b>(292,913)</b>
<b>Cash Flows from Investing Activities:</b>			
Investment Income	974	452	1,426
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>974</b>	<b>452</b>	<b>1,426</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>86,758</b>	<b>(28,076)</b>	<b>58,682</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>1,038,044</b>	<b>486,091</b>	<b>1,524,135</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,124,802</b>	<b>\$ 458,015</b>	<b>\$ 1,582,817</b>

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

<b>Operating Income (Loss)</b>	\$ 267,063	\$ 87,466	\$ 354,529
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>			
Depreciation	110,808	21,919	132,727
Deferred (Outflows)/Inflows of Resources Related to Pensions	(30,159)	(28,450)	(58,609)
Change in Assets and Liabilities:			
Increase (Decrease) in Accounts Payable	(54,061)	(16,313)	(70,374)
Increase (Decrease) in Accrued Payroll	(1,722)	1,176	(546)
Increase (Decrease) in Compensated Absences	830	141	971
Increase (Decrease) in OPEB Obligation Payable	9,430	23,027	32,457
Increase (Decrease) in Net Pension Liability	63,968	50,311	114,279
Decrease (Increase) in Due From Others	-	(24,715)	(24,715)
Decrease (Increase) in User Charges	17,865	36,268	54,133
<b>Total Adjustments</b>	<b>116,959</b>	<b>63,364</b>	<b>180,323</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 384,022</b>	<b>\$ 150,830</b>	<b>\$ 534,852</b>

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, 2016**

	<b>Other Post Employment Benefits Trust Fund</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ 61,437	\$ 162,076
Investments	221,151	190,621	-
<b>Total Assets</b>	<b>221,151</b>	<b>252,058</b>	<b>162,076</b>
<b>LIABILITIES</b>			
Warrants Payable	-	-	700
Due to Students Groups	-	-	72,049
Escrows and Deposits	-	-	89,327
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>162,076</b>
<b>NET POSITION</b>			
Held in Trust for Scholarships and Other Purposes	\$ 221,151	\$ 252,058	\$ -

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, 2016**

	<b>Other Post Employment Benefits Trust Fund</b>	<b>Private Purpose Trust Funds</b>
<b>Additions:</b>		
Employer Contributions	\$ 120,000	\$ -
Investment Income	2,767	7,980
<b>Total Additions</b>	<b>122,767</b>	<b>7,980</b>
<b>Deductions:</b>		
Educational Scholarships	-	3,954
<b>Total Deductions</b>	<b>-</b>	<b>3,954</b>
<b>Change in Net Position</b>	<b>122,767</b>	<b>4,026</b>
<b>Net Position at Beginning of Year</b>	<b>98,384</b>	<b>248,032</b>
<b>Net Position at End of Year</b>	<b>\$ 221,151</b>	<b>\$ 252,058</b>

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, 2016**

**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 2016, 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, 2016**

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**  
**Year Ended June 30, 2016**

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.

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

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 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 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**  
**Year Ended June 30, 2016**

**Property Taxes and Tax Liens**

Property taxes are based on assessments as of January 1, 2015 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 2016 on June 24, 2015 that were due on August 3, 2015 and November 2, 2015 and actual bills on December 28, 2015 that were due on February 1, 2016 and May 2, 2016, 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 2016 is as follows:

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2016	\$ 13,582,024
Add: Debt Exclusion	309,332
	<u>\$ 13,891,356</u>

The total amount raised by taxation was \$13,886,205.

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**  
**Year Ended June 30, 2016**

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**

Under governmental activities, the departmental receivables consist of ambulance, Community Development office commercial loans to businesses and police-off duty details. Under business-type activities, the departmental receivables consist of reimbursements due to overpayment to Town vendors.

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:

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

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

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 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**  
**Year Ended June 30, 2016**

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, 2016**

**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 pension 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, 2016**

- 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 2016, the Town incurred a final budget deficit of \$807,126 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	\$ 757,733
Overlay surplus	126,000
Reserved for deficits	(195,122)
Prior year's encumbrances	118,515
	\$ 807,126

**B. Deficit Fund Balances**

The following funds have deficits at June 30, 2016 as measured by the balance of unreserved fund balance.

- The *Department of Public Works equipment fund*, a capital project, has a deficit of \$362,724. The Town has bond anticipation notes outstanding of \$385,000 for the vehicles and equipment. The deficit will be eliminated upon the issuance of permanent debt.
- 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 \$86,219. The Town has bond anticipation notes outstanding of \$86,219 for the 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 \$70,000. The Town has a bond anticipation note outstanding of \$70,000 for this event. The deficit will be eliminated upon additional receipts or the issuance of permanent debt.

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

**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, 2016 were \$7,447,221. Of these, none 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, 2016, the Town had the following investments and maturities:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>	
		<b>Less Than 1</b>	<b>1 to 5</b>
<b>Debt Securities:</b>			
U. S. treasury obligations	\$ 101,063	\$ -	\$ 101,063
U. S. government agencies	220,198	-	220,198
Corporate bonds	115,229	30,299	84,930
Money market mutual fund	343,321	343,321	-
	<u>779,811</u>	<u>\$ 373,620</u>	<u>\$ 406,191</u>
<b>Other Investments:</b>			
Certificates of deposits	180,669		
Equity mutual funds	36,825		
Money Markets	29,004		
MMDT	249,160		
	<u>\$ 1,275,469</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 \$1,275,469 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, 2016**

**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, 2016 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<b><i>U. S. Treasury Obligations:</i></b>	
Aaa	\$ 101,063
<b><i>U. S. Government Agencies:</i></b>	
Aaa	220,198
<b><i>Corporate Bonds:</i></b>	
A1	30,299
A2	20,112
Baa1	40,064
Baa2	24,754
<b><i>Money Market Mutual Funds:</i></b>	
Not rated	343,321
	\$ 779,811

**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. 17.26% of the Town's total investments.

**Cash in Custody of Others**

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, 2016, 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
<b>Major and nonmajor governmental funds:</b>			
Property taxes	\$ 407,805	\$ (8,024)	\$ 399,781
Tax liens	523,129	-	523,129
Excise taxes	176,980	(31,412)	145,568
Departmental	298,367	(36,839)	261,528
Due from other governments	3,833,046	-	3,833,046
	\$ 5,239,327	\$ (76,275)	\$ 5,163,052

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

At June 30, 2016, receivables for the business-type activities consist of the following:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Sewer Fund:</b>			
User charges	\$ 97,614	\$ (500)	\$ 97,114
Tax liens	11,028	-	11,028
<b>Water Fund:</b>			
User charges	100,771	(500)	100,271
Tax liens	10,356	-	10,356
	<u>\$ 219,769</u>	<u>\$ (1,000)</u>	<u>\$ 218,769</u>

The composition of amounts due from other governments as of June 30, 2016 for governmental funds is as follows:

<b>General Fund:</b>			
<b>Commonwealth of Massachusetts:</b>			
Department of Revenue:			
Veterans, blind and surviving spouse	\$ 17,196		
Department of Veterans Services:			
Veterans benefits	279,809		
Massachusetts School Building Authority:			
School Building Assistance - Capital Portion	<u>2,209,477</u>	\$	2,506,482
<b>Nonmajor Governmental Funds:</b>			
<b>U. S. Department of Agriculture:</b>			
School lunch	68,124		
<b>U. S. Department of Education:</b>			
School title grants	119,637		
<b>U.S. Department of Homeland Security:</b>			
<b>Federal Emergency Management Agency:</b>			
Staffing for Adequate Fire & Emergency Response Grant	32,782		
<b>U.S. Department of Justice:</b>			
Cops Grant	16,601		
<b>Commonwealth of Massachusetts:</b>			
Department of Conservation & Recreation:			
Rail to Trail Grant	50,000		
Department of Elder Affairs	2,794		
Department of Elementary & Secondary Education:			
School lunch	1,242		
School title grants	26,473		
Executive Office of Public Safety and Homeland Security			
Public Safety Grants	18,019		
Massachusetts Department of Transportation:			
Highway Department - Chapter 90 funded projects	988,112		
Massachusetts Emergency Management Agency	<u>2,780</u>		<u>1,326,564</u>
		<u>\$</u>	<u>3,833,046</u>



**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

The government-wide financial statements statement of net position also includes an additional due from other governments for the Massachusetts Clean Water Trust subsidy. The current balance is \$44,614 and is amortized until fiscal year 2019.

**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 fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

<b>General Fund:</b>			
Property taxes	\$	337,781	
Tax liens		523,129	
Excise taxes		145,568	
Due from other governments		2,407,073	\$ 3,413,551
<b>Nonmajor governmental funds:</b>			
Departmental		90,616	
Due from other governments		838,370	928,986
			\$ 4,342,537

**D. Capital Assets**

Capital asset activity for the governmental and business-type activities for the year ended June 30, 2016, are as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 2,707,652	\$ -	\$ -	\$ 2,707,652
Construction in progress	3,520	540,617	(544,137)	-
Total capital assets not being depreciated	2,711,172	540,617	(544,137)	2,707,652
Capital assets being depreciated:				
Buildings and Renovations	31,360,144	107,013	-	31,467,157
Machinery, equipment and other	5,544,791	627,297	(385,039)	5,787,049
Infrastructure	6,784,788	854,737	-	7,639,525
Total capital assets being depreciated	43,689,723	1,589,047	(385,039)	44,893,731
Less accumulated depreciation for:				
Buildings and Renovations	14,659,002	1,115,402	-	15,774,404
Machinery, equipment and other	3,542,012	291,516	(385,039)	3,448,489
Infrastructure	2,128,049	211,973	-	2,340,022
Total accumulated depreciation	20,329,063	1,618,891	(385,039)	21,562,915
Total capital assets being depreciated, net	23,360,660	(29,844)	-	23,330,816
Total governmental activities capital assets, net	\$ 26,071,832	\$ 510,773	\$ (544,137)	\$ 26,038,468

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 393,400	\$ -	\$ -	\$ 393,400
Construction in Progress	382,385	316,242	(397,952)	300,675
Total capital assets not being depreciated	<u>775,785</u>	<u>316,242</u>	<u>(397,952)</u>	<u>694,075</u>
Capital assets being depreciated:				
Buildings and renovations	106,710	55,000	-	161,710
Machinery, equipment and other	127,344	-	(25,671)	101,673
Infrastructure	4,864,372	397,952	-	5,262,324
Total capital assets being depreciated	<u>5,098,426</u>	<u>452,952</u>	<u>(25,671)</u>	<u>5,525,707</u>
Less accumulated depreciation for:				
Buildings and renovations	13,339	6,435	-	19,774
Machinery, equipment and other	106,926	8,167	(25,671)	89,422
Infrastructure	1,291,915	118,124	-	1,410,039
Total accumulated depreciation	<u>1,412,180</u>	<u>132,726</u>	<u>(25,671)</u>	<u>1,519,235</u>
Total capital assets being depreciated, net	<u>3,686,246</u>	<u>320,226</u>	<u>-</u>	<u>4,006,472</u>
Total business-type activities capital assets, net	<u>\$ 4,462,031</u>	<u>\$ 636,468</u>	<u>\$ (397,952)</u>	<u>\$ 4,700,547</u>

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

**Governmental Activities:**

General government	\$ 10,668
Public safety	383,466
Public works	240,430
Education	839,980
Health and human services	85,777
Culture and recreation	58,570
Total depreciation expense - governmental activities	<u>\$ 1,618,891</u>

**Business-Type Activities:**

Sewer fund	\$ 21,918
Water fund	110,808
Total depreciation expense - business-type activities	<u>\$ 132,726</u>

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

**E. Interfund Receivables, Payables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2016, are summarized below:

Transfers Out:	Transfers In:		
	General fund	Nonmajor Governmental fund	Total
General fund	\$ -	\$ 88,000	\$ 88,000
Nonmajor governmental funds	576,702	-	576,702
Business-type fund	184,683	-	184,683
Total transfers out	\$ 761,385	\$ 88,000	\$ 849,385

**F. Leases**

The Town has entered into lease agreements as lessee for financing a two Emergency Medical Services vehicles 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:

Asset:	<b>Governmental Activities</b>
Machinery, Equipment and Other	\$ 495,022
Less: Accumulated Depreciation	(246,644)
Total	\$ 248,378

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

<b>Year Ending June 30,</b>	<b>Governmental Activities</b>
2017	\$ 64,961
2018	64,960
2019	35,625
2020	35,625
2021	35,625
2021-2024	106,874
Total minimum lease payments	343,670
Less: amount representing interest	(39,120)
Present value of minimum lease payments	\$ 304,550

**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

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

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.

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

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2015	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2016
<b>Governmental Activities</b>						
<b>Bond Anticipation Notes:</b>						
Fire truck purchase	0.55%	04/14/16	\$ 480,000	\$ -	\$ 480,000	\$ -
October 2011 snow storm	0.57%	12/21/15	329,558	-	329,558	-
Highway brush mower	0.68%	04/14/16	-	120,000	120,000	-
School carpets	0.70%	04/14/16	-	86,219	86,219	-
Landfill closing	0.70%	04/14/16	-	50,000	50,000	-
Highway dump truck	0.70%	04/14/16	-	200,000	200,000	-
Highway truck	0.70%	04/14/16	-	65,000	65,000	-
October 2011 snow storm	0.79%	12/21/16	-	70,000	-	70,000
Fire truck purchase	0.75%	04/14/17	-	480,000	-	480,000
School carpets	0.75%	04/14/17	-	86,219	-	86,219
Landfill closing	0.75%	04/14/17	-	50,000	-	50,000
Highway dump truck	0.75%	04/14/17	-	200,000	-	200,000
Highway truck	0.75%	04/14/17	-	65,000	-	65,000
Highway brush mower	0.75%	04/14/17	-	120,000	-	120,000
<b>State Anticipation Notes:</b>						
Highway - Chapter 90	0.52%	09/01/15	149,562	-	149,562	-
Highway - Chapter 90	0.78%	10/03/16	-	579,236	-	579,236
Total Governmental Activities			<u>\$ 959,120</u>	<u>\$ 2,171,674</u>	<u>\$ 1,480,339</u>	<u>\$ 1,650,455</u>

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2015	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2016
<b>Business-Type Activities:</b>						
<b>Water Fund:</b>						
<b>Bond Anticipation Notes:</b>						
Richfield Avenue water main	0.70%	04/14/16	\$ -	\$ 220,000	\$ 220,000	\$ -
Richfield Avenue water main	0.75%	04/14/17	-	220,000	-	220,000
Total Business-Type Activities			<u>\$ -</u>	<u>\$ 440,000</u>	<u>\$ 220,000</u>	<u>\$ 220,000</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, 2016**

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

	<b>Interest Rate</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Original Amount Issued</b>	<b>Outstanding June 30, 2016</b>
<b>Inside Debt:</b>					
Municipal Purpose Loan of 2008:					
Departmental Equipment	3.66%	03/15/08	03/15/22	\$ 980,000	\$ 365,000
Veteran's Park	3.68%	03/15/08	03/15/22	185,000	65,000
Town Hall Boiler Replacement	3.74%	03/15/08	03/15/25	87,000	45,000
Senior Center	3.78%	03/15/08	03/15/27	852,000	490,000
Road Repairs	3.67%	03/15/08	03/15/18	100,400	20,000
Refunding Loans:					
Roof Replacement - Police	1.00%	05/29/14	05/26/17	21,305	8,305
Roof Replacement - Highway	1.00%	05/29/14	05/26/17	28,330	14,330
Road Reconstruction	1.00%	05/29/14	05/26/17	13,375	6,500
Municipal Purpose Loan of 2014:					
Fire Station	2.0-3.0%	05/15/14	05/15/34	987,000	940,000
Parking Lot	2.0-3.0%	05/15/14	05/15/24	100,000	80,000
Street Sweeper	2.0-3.0%	05/15/14	05/15/24	100,000	80,000
Municipal Purpose State House of 2014:					
Police Station	1.00%	05/23/14	09/01/19	155,017	99,000
Town Hall Windows	1.00%	05/23/14	09/01/18	24,326	17,100
Police Station Windows	1.00%	05/23/14	09/01/18	20,000	14,000
Town Hall Roof	1.00%	05/23/14	09/01/18	30,000	22,000
Police Vehicle	1.00%	05/23/14	09/01/18	40,000	20,000
Highway Chipper	1.00%	05/23/14	09/01/18	44,618	20,000
Grenville Park Bandstand	1.00%	05/23/14	09/01/18	25,000	15,000
School Carpets	1.00%	05/23/14	09/01/17	20,000	10,000
<b>Massachusetts Clean Water Trust:</b>					
Landfill Capping	N/A	12/09/98	08/01/18	906,800	172,300
Total Inside Debt					<u>2,503,535</u>
<b>Outside Debt:</b>					
School Building Refunding	3.77%	12/15/05	09/01/18	8,640,000	2,745,000
Municipal Purpose Loan of 2014:					
Landfill Capping	2.0-3.0%	05/15/14	05/15/34	270,000	240,000
Total Outside Debt					<u>2,985,000</u>
Total governmental type debt					<u><u>\$ 5,488,535</u></u>

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

**Future Debt Service**

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2016, are as follows:

Year	Principal	Interest	Total
2017	\$ 1,301,935	\$ 170,302	\$ 1,472,237
2018	1,259,400	123,899	1,383,299
2019	1,243,200	79,354	1,322,554
2020	244,000	52,515	296,515
2021	220,000	45,600	265,600
2022-2026	680,000	147,150	827,150
2027-2031	360,000	59,500	419,500
2032-2034	180,000	11,700	191,700
	<u>\$ 5,488,535</u>	<u>\$ 690,020</u>	<u>\$ 6,178,555</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, 2016
<b>Inside Debt:</b>					
<b>Sewer Fund:</b>					
Municipal Purpose Loan of 2008: Sewer lines repairs	3.80%	03/15/08	03/15/28	\$ 33,600	\$ 20,400
Municipal Purpose Loan of 2014: Wastewater Treatment Plant	2.0-3.0%	05/15/14	05/15/34	293,000	<u>260,000</u>
Total Inside Debt					<u>280,400</u>
<b>Outside Debt:</b>					
<b>Sewer Fund:</b>					
Municipal Purpose Loan of 2014: Wastewater Treatment Plant	2.0-3.0%	05/15/14	05/15/26	100,000	80,000
<b>Water Fund:</b>					
Municipal Purpose Loan of 2000: Water	4.93%	09/01/99	09/01/16	1,184,400	25,000
Municipal Purpose Loan of 2008: Water control facility	3.80%	03/15/08	03/15/28	831,000	515,000
Water line repairs	3.80%	03/15/08	03/15/28	167,000	<u>99,600</u>
Total Outside Debt					<u>719,600</u>
Total business-type debt					<u>\$ 1,000,000</u>

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

**Future Debt Service**

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2016, are as follows:

Year	Principal	Interest	Total
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	90,000	22,580	112,580
2022-2026	405,000	69,620	474,620
2027-2029	150,000	8,850	158,850
	<u>\$ 1,000,000</u>	<u>\$ 219,901</u>	<u>\$ 1,219,901</u>

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due within One Year
<b>Governmental activities:</b>					
<b>Bond Payable:</b>					
General obligation bonds Massachusetts Clean Water Trust bonds	\$ 6,559,710	\$ -	\$ 1,243,475	\$ 5,316,235	\$ 1,246,135
<b>Capital lease</b>	226,400	-	54,100	172,300	55,800
<b>Compensated absences</b>	82,630	248,595	26,675	304,550	55,757
<b>OPEB Obligation payable</b>	431,830	57,478	5,696	483,612	84,023
<b>Net pension liability</b>	11,463,686	1,401,287	-	12,864,973	-
Governmental activity	14,909,205	1,118,194	-	16,027,399	-
Long-term liabilities	<u>\$ 33,673,461</u>	<u>\$ 2,825,554</u>	<u>\$ 1,329,946</u>	<u>\$ 35,169,069</u>	<u>\$ 1,441,715</u>
<b>Business type activities:</b>					
<b>Bond Payable:</b>					
General obligation bonds	\$ 1,103,000	\$ -	\$ 103,000	\$ 1,000,000	\$ 100,000
<b>Compensated absences</b>	21,335	2,756	1,785	22,306	10,501
<b>OPEB Obligation payable</b>	319,404	32,457	-	351,861	-
<b>Net pension liability</b>	1,100,527	114,279	-	1,214,806	-
Business-type activity	1,100,527	114,279	-	1,214,806	-
Long-term liabilities	<u>\$ 2,544,266</u>	<u>\$ 149,492</u>	<u>\$ 104,785</u>	<u>\$ 2,588,973</u>	<u>\$ 110,501</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, 2016 for principal and interest combined for the loan is \$183,603. The net repayments, including interest, are scheduled to be \$128,448. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2016 principal and interest subsidies totaled \$21,193.

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

**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, 2016 totaled \$2,783,935.

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, 2016:

Equalized Valuation-Real Estate and Personal Property (2016)		\$ 715,239,800
Debt Limit: 5 % of Equalized value		<u>35,761,990</u>
Total Debt Outstanding	\$ 6,488,535	
Less: Debt Outside Debt Limit	<u>(3,704,600)</u>	<u>2,783,935</u>
 Inside Debt Excess Borrowing Capacity at June 30, 2016		 <u>\$ 32,978,055</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, 2016**

Loan authorizations that have not been issued as of June 30, 2016 and are not reflected in the Town's financial statements are as follows:

<b>Date Town Meeting Authorized</b>	<b>Purpose</b>	<b>Amount</b>
05/09/11	Disinfection upgrade at the wastewater treatment plant	\$ 80,000
12/13/11	October 2011 Snow Storm Emergency	459,415
05/04/12	Road repairs in anticipation of Chapter 90 receipts	441,341
08/12/12	Wastewater Treatment Plant improvements	707,000
11/19/12	Grenville Park band stand repairs	87,000
11/19/12	Highway street sweeper	15,506
11/19/12	Highway wood chipper	5,382
11/19/12	Town Hall windows	1
11/19/12	WWTP repair of disinfection system	20,000
05/13/13	Road repairs in anticipation of Chapter 90 receipts	314,615
05/12/14	Road repairs in anticipation of Chapter 90 receipts	149,562
05/12/14	Replace carpet at Stanley M. Koziol School	24,875
11/17/14	Ambulance purchase	280,000
11/17/14	Replace carpet at Stanley M. Koziol School	16,906
11/16/15	High School gym Architectural Study for repair	25,000
05/09/16	Road repairs in anticipation of Chapter 90 receipts	434,839
		<u><u>\$ 3,061,442</u></u>

**Overlapping Debt**

The Town pays assessments which include debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The following summary sets forth the long term debt of the governmental unit, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

	<b>Current Year's Long Term Debt</b>	<b>Town's Estimated Share</b>	<b>Town's Estimated Indirect Debt</b>
Pathfinder Vocational Technical Regional School District: School Roof	\$ 689,075	15.11%	<u><u>\$ 104,119</u></u>

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

**I. Fund Balances**

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2016:

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Nonspendable:</b>			
Permanent funds	\$ -	\$ 144,158	\$ 144,158
<b>Restricted:</b>			
Federal, state and local grants	-	439,201	439,201
School Revolving funds	-	687,957	687,957
Town Revolving funds	-	36,904	36,904
Donations and gifts	-	100,145	100,145
Insurance reimbursements	-	5,535	5,535
Capital projects	-	53,661	53,661
Permanent funds	-	122,777	122,777
Other	-	85,763	85,763
	-	1,531,943	1,531,943
<b>Committed:</b>			
Ambulance fund	-	140,966	140,966
Compensated absences reserve	-	37,910	37,910
	-	178,876	178,876
<b>Assigned:</b>			
General government	47,683	-	47,683
Public safety	20,863	-	20,863
Public works	38,864	-	38,864
Education	144,420	-	144,420
Health and human services	1,383	-	1,383
Culture and recreation	23,664	-	23,664
Employee benefits and insurance	5,000	-	5,000
Subsequent year's budget	328,800	-	328,800
	610,677	-	610,677
<b>Unassigned:</b>			
General Fund	1,840,678	-	1,840,678
Deficit special revenue fund	-	(70,000)	(70,000)
Deficit capital projects	-	(928,943)	(928,943)
	1,840,678	(998,943)	841,735
<b>Total Governmental fund balances</b>	<b>\$ 2,451,355</b>	<b>\$ 856,034</b>	<b>\$ 3,307,389</b>

**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

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and 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, 2016, the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$	345,632
Capital stabilization fund		292,888
	\$	638,520

**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, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

**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, 2016**

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, 2015. The Town's portion of the collective pension expense contributed by the Commonwealth of \$1,813,992 on-behalf payments for the fiscal year ending June 30, 2016 is reported as intergovernmental on-behalf payments in the revenue and employee benefits and insurance 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, 2015 was \$1,546,510, representing 21.91% 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, 2016**

**Pension Liability**

As of June 30, 2016, the Town reported a liability of \$17,242,205 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the Town's proportional percentage was 8.30%, which was a slight decrease from the last measurement.

**Pension Expense**

For the year ended June 30, 2016, the Town recognized a pension expense of \$1,958,432 and reported deferred outflows of resources related to pensions of \$1,786,040 and deferred inflows of resources related to pensions of \$501,788, 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, 2015.

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

Years ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>2017</b>	\$ 446,510	\$ 46,896
<b>2018</b>	446,510	46,896
<b>2019</b>	446,510	46,896
<b>2020</b>	446,510	46,896
<b>Thereafter:</b>	-	314,204
	<b>\$ 1,786,040</b>	<b>\$ 501,788</b>

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, 2015;

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
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%

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

Projected salary increase	5.90% per year
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, 2015, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return</b>
Cash	2.0%	0.00%
Large Cap Equities	11.0%	4.37%
Small/Mid Cap Equities	6.0%	4.61%
International Equities	13.5%	4.85%
Emerging International Equities	7.0%	6.31%
Core Bonds	7.0%	0.86%
High-Yield Bonds	5.0%	2.67%
Global Bonds	3.0%	-0.24%
EMD (Local Currency)	6.0%	3.40%
Bank Loans	4.0%	2.91%
Private Equity	10.0%	6.31%
Private Debt	3.0%	4.85%
Real Estate (Core)	10.0%	3.40%
Hedge Funds	5.0%	3.40%
Global Asset Allocation	7.5%	2.61%
Total	<u>100.0%</u>	

**Rate of Return**

For the year ended December 31, 2015, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was (0.68%). 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

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

expense, adjusted for the changing amounts actually invested. Inputs to the money-weighted rate of return calculation are determined monthly.

**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 of 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:

	<b>1% Decrease (6.875%)</b>	<b>Current Discount Rate (7.875%)</b>	<b>1% Increase (8.875%)</b>
Town's net pension liability	\$ 21,458,810	\$ 17,242,205	\$ 13,911,530

**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 2016 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$856,665. In addition, the Town also made additional contributions of \$113,000.

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2016**

**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	\$	2,675,583
Interest on net OPEB obligation		471,324
Adjustment to annual required contribution		(655,209)
Amortization of actuarial (Gains)/Losses		<u>(88,289)</u>
Annual OPEB cost (expense)		2,403,409
Contributions made during the fiscal year		<u>(969,665)</u>
Increase in net OPEB obligation		1,433,744
Net OPEB Obligation - beginning of year		11,783,090
Net OPEB Obligation - end of year	\$	<u><u>13,216,834</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 2016 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 2,403,409	40.3%	\$ 13,216,834
6/30/2015	\$ 2,306,271	41.9%	\$ 11,783,090
6/30/2014	\$ 2,190,022	38.8%	\$ 10,442,196

**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, 2016**

**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, 2016 the trust balance is \$221,151.

**E. Implementation Of New GASB Pronouncements**

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.

**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. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2017.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2018.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*, for implementation in fiscal year 2017.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF WARE, MASSACHUSETTS  
Required Supplementary Information  
Pension Plan Schedules  
Hampshire County Retirement System  
For the Year Ended June 30, 2016**

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>12/31/15</u>	<u>12/31/14</u>
Town's proportion of the net pension liability (asset)	8.30%	8.58%
Town's proportionate share of the net pension liability (asset)	\$ 17,242,205	\$ 16,009,733
Town's covered employee payroll	\$ 7,058,713	\$ 6,620,284
Net pension liability percentage of covered-employee payroll	244.27%	241.83%
Plan fiduciary net position as a percentage of the total pension liability	55.3%	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 the information is available.

**TOWN OF WARE, MASSACHUSETTS  
Required Supplementary Information  
Pension Plan Schedules  
Hampshire County Retirement System  
For the Year Ended June 30, 2016**

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:**

	<u>12/31/15</u>	<u>12/31/14</u>
Actuarially determined contribution	\$ 1,546,510	\$ 1,498,054
Less: Contributions in relation to the actuarially determined contribution	<u>(1,546,510)</u>	<u>(1,498,054)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 7,058,713	\$ 6,620,284
Contributions percentage of covered-employee payroll	21.91%	22.63%

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.

**TOWN OF WARE, MASSACHUSETTS**  
**Required Supplementary Information**  
**Schedule of Funding Progress and Employer Contributions**  
**Other Post Employment Benefit Plan Schedule**  
**Year Ended June 30, 2016**

**Schedule of Funding Progress**

<b>Other Post Employment Benefits</b>						
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)
07/01/14	\$ 10,234	\$ 23,650,560	\$ 23,640,326	0.04%	\$ 13,240,015	178.6%
07/01/13	-	\$ 22,678,581	\$ 22,678,581	0.00%	\$ 13,490,268	168.1%
07/01/12	-	\$ 21,842,706	\$ 21,842,706	0.00%	\$ 13,097,348	166.8%

**Schedule of Contribution Funding**

<b>Other Post Employment Benefits</b>			
Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions Made	Percentage Contributed
2016	\$ 2,403,409	\$ 969,665	40.3%
2015	\$ 2,306,271	\$ 965,377	41.9%
2014	\$ 2,190,022	\$ 848,792	38.8%

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 the 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, 2016**

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
School Grants	\$ 28,841	\$ 963,402	\$ 943,646	\$ 11,898	\$ 60,495
Arts Lottery Council Grant	4,044	5,400	2,660	-	6,784
Board of Health Emergency Preparedness Grant	2,459	-	613	-	1,846
Community Development Block Grants	280,375	923,045	980,278	-	223,142
Council on Aging Grants	616	23,973	24,113	-	476
Disaster Damage Recovery	(92,213)	-	-	22,213	(70,000)
Green Commuinties Grant	(40,219)	55,000	9,270	-	5,511
Highway Grants	-	431,308	431,308	-	-
Library Grants	-	14,273	14,273	-	-
Other Grants and Programs	865	1,241	1,591	-	515
Public Safety Grants	20,503	225,181	186,384	(23,123)	36,177
<b>Schools:</b>					
School Lunch Revolving	165,179	569,284	580,382	-	154,081
School Lunch Commodities	-	51,560	51,560	-	-
School Choice	210,157	312,701	63,086	-	459,772
School Revolving Accounts	10,351	110,509	46,755	-	74,105
State Special Education Reimbursement Fund	-	413,931	292,028	(17,649)	104,254
<b>Other:</b>					
Ambulance	12,768	676,027	-	(547,829)	140,966
Council on Aging Center Rental Revolving	3,340	1,255	325	-	4,270
Drug Forfeiture	3,138	2,136	3,392	-	1,882
Gifts and Donations	67,863	104,077	71,795	-	100,145
Insurance Reimbursements	5,535	-	-	-	5,535
Other Grants and Programs	4,019	563	524	-	4,058
Police Outside Duty	-	356,053	356,053	-	-
Recreation Revolving	10,000	28,578	28,827	-	9,751
Sale of Cemetery Lots	7,630	1,062	779	-	7,913
Sale of Property	-	-	-	60,722	60,722
Septic Repair Loan Repayments	20,780	1,753	-	-	22,533
Water/Sewer Development	5,695	8	-	-	5,703
<b>Total Special Revenue Funds Page 63</b>	<b>\$ 731,726</b>	<b>\$ 5,272,320</b>	<b>\$ 4,089,642</b>	<b>\$ (493,768)</b>	<b>\$ 1,420,636</b>

**TOWN OF WARE, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
<b>Continued From Page 63</b>	\$ 731,726	\$ 5,272,320	\$ 4,089,642	\$ (493,768)	\$ 1,420,636
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
Compensated Absences Reserve	-	910	-	37,000	37,910
Municipal Insurance Fund	5,612	223	-	-	5,835
<b>Total Special Revenue Funds</b>	<u>737,338</u>	<u>5,273,453</u>	<u>4,089,642</u>	<u>(456,768)</u>	<u>1,464,381</u>
<b>Capital Projects:</b>					
Department of Public Works Equipment	\$ (501)	\$ -	\$ 362,223	\$ -	\$ (362,724)
Fire Station Construction	39,585	-	-	-	39,585
Fire Department Vehicle	(480,000)	-	-	-	(480,000)
Landfill Capping	255,700	-	310,600	51,000	(3,900)
School Flooring	(43,125)	-	43,094	-	(86,219)
South Street Construction	380	-	-	-	380
Town Hall Roof Repairs	23,520	-	11,730	-	11,790
Underground Storage Tank Removal School	5,806	-	-	-	5,806
<b>Total Capital Projects</b>	<u>(198,635)</u>	<u>-</u>	<u>727,647</u>	<u>51,000</u>	<u>(875,282)</u>
<b>Perpetual Permanent Funds:</b>					
Cemetery Perpetual Care Funds:					
Aspen Grove Fund	122,957	600	-	-	123,557
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
<b>Total Perpetual Permanent Funds</b>	<u>\$ 143,558</u>	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,158</u>



**TOWN OF WARE, MASSACHUSETTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
<b>Permanent Funds:</b>					
Cemetery Perpetual Care Funds:					
Aspen Grove Fund	\$ 10,156	\$ 6,894	\$ 100	\$ -	\$ 16,950
George L. Draper Fund	15	257	-	-	272
Susan Connell Fund	266	121	-	-	387
Helen Handanian Fund	1,167	54	(200)	-	1,421
Reed Memorial Fund	12,099	10,203	6,263	-	16,039
Josephine Wood Fund	1,300	215	50	-	1,465
Mary Packard Fund	1,011	119	50	-	1,080
Donald Sherman Fund	732	49	-	-	781
Gilbert Grenville Park Fund	79,961	15,066	17,428	-	77,599
Reed Swimming Pool Fund	13,146	7,451	13,814	-	6,783
<b>Total Permanent Funds</b>	<b>119,853</b>	<b>40,429</b>	<b>37,505</b>	<b>-</b>	<b>122,777</b>
<b>Total - Non-Major Governmental Funds</b>	<b>\$ 802,114</b>	<b>\$ 5,314,482</b>	<b>\$ 4,854,794</b>	<b>\$ (405,768)</b>	<b>\$ 856,034</b>

**TOWN OF WARE, MASSACHUSETTS**  
**SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY, SUPPLEMENTAL AND ROLLBACK TAXES**  
**JULY 1, 2015 TO JUNE 30, 2016**

	Uncollected Taxes July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2016	Uncollected Taxes Per Detail June 30, 2016
<b>Real Estate Taxes:</b>						
Levy of 2016	\$ -	\$ 13,479,845	\$ 196,380	\$ 12,974,574	\$ 308,891	\$ 308,891
Levy of 2015	331,039	-	235	264,382	66,422	66,672
Levy of 2014	12,475	-	-	11,437	1,038	1,038
	<u>343,514</u>	<u>13,479,845</u>	<u>196,615</u>	<u>13,250,393</u>	<u>376,351</u>	<u>376,601</u>
<b>Personal Property Taxes:</b>						
Levy of 2016	-	408,529	109	404,389	4,031	4,031
Levy of 2015	4,236	-	-	2,250	1,986	1,986
Levy of 2014	3,923	-	-	-	3,923	3,923
Levy of 2013	1,451	-	-	-	1,451	1,451
Levy of 2012	851	-	-	-	851	851
Prior Years	5,524	-	-	-	5,524	5,524
	<u>15,985</u>	<u>408,529</u>	<u>109</u>	<u>406,639</u>	<u>17,766</u>	<u>17,766</u>
<b>Supplemental Taxes</b>	<u>253</u>	<u>1,620</u>	<u>-</u>	<u>1,182</u>	<u>691</u>	<u>691</u>
<b>Rollback Taxes</b>	<u>12,997</u>	<u>340</u>	<u>-</u>	<u>340</u>	<u>12,997</u>	<u>12,997</u>
<b>Total Real Estate, Personal Property, Supplemental and Rollback Taxes</b>	<u>\$ 372,749</u>	<u>\$ 13,890,334</u>	<u>\$ 196,724</u>	<u>\$ 13,658,554</u>	<u>\$ 407,805</u>	<u>\$ 408,055</u>

**TOWN OF WARE, MASSACHUSETTS  
SCHEDULE OF MOTOR VEHICLE, FARM ANIMAL AND BOAT EXCISE TAXES  
JULY 1, 2015 TO JUNE 30, 2016**

	<b>Uncollected Taxes July 1, 2015</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Taxes June 30, 2016</b>	<b>Uncollected Taxes Per Detail June 30, 2016</b>
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2016	\$ -	\$ 951,544	\$ 18,607	\$ 821,210	\$ 111,727	\$ 111,727
Levy of 2015	98,466	103,634	10,351	168,622	23,127	23,127
Levy of 2014	23,165	75	149	12,925	10,166	10,166
Levy of 2013	14,139	-	-	3,437	10,702	10,702
Levy of 2012	8,635	-	-	1,054	7,581	7,581
Prior Years	11,964	1,587	-	3,064	10,487	10,487
	<u>156,369</u>	<u>1,056,840</u>	<u>29,107</u>	<u>1,010,312</u>	<u>173,790</u>	<u>173,790</u>
<b>Farm Animal Excise Taxes</b>	<u>2,437</u>	<u>2,058</u>	<u>-</u>	<u>1,919</u>	<u>2,576</u>	<u>2,576</u>
<b>Boat Excise Taxes</b>	<u>624</u>	<u>2,139</u>	<u>8</u>	<u>2,141</u>	<u>614</u>	<u>614</u>
<b>Total Motor Vehicle, Farm Animal and Boat Excise Taxes</b>	<u>\$ 159,430</u>	<u>\$ 1,061,037</u>	<u>\$ 29,115</u>	<u>\$ 1,014,372</u>	<u>\$ 176,980</u>	<u>\$ 176,980</u>

**TOWN OF WARE, MASSACHUSETTS  
SCHEDULE OF TAX LIENS  
JULY 1, 2015 TO JUNE 30, 2016**

	<b>Uncollected Accounts July 1, 2015</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Accounts June 30, 2016</b>	<b>Uncollected Accounts Per Detail June 30, 2016</b>
<b>Tax Liens</b>	\$ 479,925	\$ 143,852	\$ -	\$ 100,648	\$ 523,129	\$ 522,872