

TOWN OF WARE, MASSACHUSETTS

**REPORT ON THE EXAMINATION
OF BASIC FINANCIAL STATEMENTS**

FISCAL YEAR ENDED JUNE 30, 2010

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Ware, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ware, Massachusetts, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Ware, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

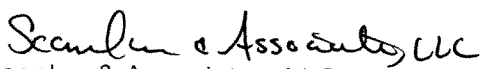
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Ware, Massachusetts, as of June 30, 2010, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2011, on our consideration of the Town of Ware, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ware, Massachusetts' financial statements as a whole. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.


Scanlon & Associates, LLC
March 23, 2011

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, 2010.

Financial Highlights

- The Town's assets exceeded its liabilities by \$23,435,616 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$25,339,437 or a decrease of \$1,903,821.
- Total net assets are comprised of the following:
 - 1) Capital assets, net of related debt, of \$21,183,341 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - 2) Net assets of \$1,434,047 are restricted by constraints imposed from outside the Town such as grantors, laws or regulations.
 - 3) Unrestricted net assets of \$818,228 represent a portion available to maintain the Town's continuing obligations to citizens and creditors.
- The Town's governmental funds reported total ending fund balance of \$4,970,878 this year. This compares to the prior year ending fund balance of \$4,702,227 showing an increase of \$268,651 during the current year. Unreserved/undesignated fund balance of \$1,562,672 for fiscal year 2010 shows a \$136,161 increase from the prior year.
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$1,562,672 or 5.5% of total General Fund expenditures including transfers and 5.5% of total General Fund revenues including transfers and other financing sources.
- Total liabilities of the Town increased by \$370,529 to \$18,961,291.

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 assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash*

flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The Town does not have any operations that are classified as business-type 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.

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 Assets Highlights

	Governmental Activities		
	2010	2009	Change
Assets:			
Current assets	\$ 9,102,805	\$ 8,701,706	\$ 401,099
Noncurrent assets (excluding capital assets)	6,161,537	7,082,845	(921,308)
Capital assets	27,132,565	28,145,648	(1,013,083)
Total assets	42,396,907	43,930,199	(1,533,292)
Liabilities:			
Current liabilities (excluding debt and leases)	1,491,864	1,198,119	293,745
Noncurrent liabilities (excluding debt and leases)	4,437,359	2,457,444	1,979,915
Current debt including leases	1,742,076	2,125,784	(383,708)
Noncurrent debt including leases	11,289,992	12,809,415	(1,519,423)
Total liabilities	18,961,291	18,590,762	370,529
Net Assets:			
Capital assets net of related debt	21,183,341	21,518,095	(334,754)
Restricted	1,434,047	1,371,573	62,474
Unrestricted	818,228	2,449,769	(1,631,541)
Total net assets	23,435,616	25,339,437	(1,903,821)

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2010	2009	Change
Program Revenues:			
Charges for services	\$ 2,904,630	\$ 2,548,434	\$ 356,196
Operating grants and contributions	14,427,486	14,516,845	(89,359)
Capital grants and contributions	754,350	672,718	81,632
General Revenues:			
Property taxes	11,333,376	10,887,261	446,115
Motor vehicle excise and other taxes	815,666	857,106	(41,440)
Penalties and interest on taxes	78,640	53,961	24,679
Nonrestricted grants	1,902,436	2,319,784	(417,348)
Unrestricted investment income	27,375	54,502	(27,127)
Gain on Sale of Foreclosure Property	-	45,200	(45,200)
Miscellaneous	2,214	9,041	(6,827)
Total revenues	32,246,173	31,964,852	281,321
Expenses:			
General government	1,322,021	1,596,217	(274,196)
Public safety	3,280,018	3,251,182	28,836
Public works (Including Water & Sewer)	2,668,364	3,157,538	(489,174)
Education	14,549,300	15,570,969	(1,021,669)
Health and human services	583,491	1,215,468	(631,977)
Culture and recreation	1,324,651	481,856	842,795
Employee benefits and insurance	8,414,855	7,530,372	884,483
State assessments	1,447,415	1,373,173	74,242
Interest	560,354	625,068	(64,714)
Total expenses	34,150,469	34,801,843	(651,374)
Contributions to permanent funds	475	225	250
Special Item - MTBE Litigation Settlement Proceeds	-	1,067,767	(1,067,767)
Change in net assets	(1,903,821)	(1,768,999)	(134,822)
Net assets - beginning of year	25,339,437	27,108,436	(1,768,999)
Net assets - end of year	\$ 23,435,616	\$ 25,339,437	\$ (1,903,821)

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$23,435,616 at the close of FY 2010.

Net assets of \$21,183,341 (90%) 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 assets \$1,434,047 (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$818,228 (4%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The governmental activities net assets decreased by \$1,903,821 during the current fiscal year, which reflects the general fund's results of operation. This was mainly attributed to the change in the Net OPEB obligation.

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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$4,970,878. Of this year-end total, \$1,562,672 is the undesignated general fund balance, indicating availability for continuing Town service requirements. Reserved and designated fund balances include \$250,121 committed to liquidate encumbrances and carried forward articles remaining from the prior year; \$792,648 in funds designated for fiscal year 2011, \$2,320,890 in special revenue funds; (\$100,240) in capital project funds; \$137,328 in perpetual permanent funds and \$7,459 in permanent funds.

A total of \$231,250 in bond anticipation notes was outstanding at June 30, 2010. Permanent financing will be done once the projects near completion and at that time the deficit in capital project funds will be eliminated.

The total ending fund balances of the governmental funds shows an increase of \$268,651 in comparison with the prior year. This increase was mainly due to revenues exceeding expenditures by \$169,867, and proceeds of the MTBE litigation settlement proceeds of \$98,784.

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 current fiscal year, unreserved/undesignated fund balance of the general fund was \$1,562,672, while total fund balance reached \$2,605,441. As a measure of the general fund's liquidity, it may be useful to compare both unreserved/undesignated fund balance and total fund balance to total fund expenditures and revenues and transfers. Unreserved/undesignated fund balance represents 5.5% of total general fund expenditures including transfers and total fund balance represents 9.2% of that same amount. Unreserved/undesignated fund balance represents 5.5% of total general fund revenues including transfers and other financing sources and total fund balance represents 9.2% of that same amount.

The fund balance of the general fund increased by \$78,179. Of this amount \$334,384 was attributed to the expenditures over revenues, \$71,645 of transfers to the stabilization funds and non-major governmental funds, \$385,424 of transfers from the non-major governmental funds, and \$98,784 from MTBE litigation settlement proceeds.

The *Stabilization Funds* have accumulated a fund balance of \$701,746, or 2.5% of total general fund expenditures including transfers and 2.5% of total general fund revenues including transfers and other financing sources.

The fund balance of the stabilization funds increased by \$83,169. Of this amount \$12,524 was attributed to investment income and transfers from the general fund of \$70,645. Please refer to Note 3H for additional information.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2010 was \$26,404,240. This was a decrease of \$907,893 over the previous year's budget.

There was a decrease of \$257,436 between the original budget and the final amended budget. This was attributed to the Town amending specific expenditure operating line items of the original budget at special town meetings in November 2009 and May 2010. The general government was increased \$90,320, public safety was increased \$924, the public works was decreased \$33,017, education was decreased \$290,966, health and human services was increased 79,253, culture and recreation was decreased \$6,150 and insurance and employee benefits was decreased \$97,800. Of the \$481,185 in under budget expenditures \$250,121 has been carried over to fiscal year 2011.

There are negative variances in excise and other taxes and investment income of \$71,648 and \$15,149, respectively. The negative variance in excise and other taxes was attributed to aging vehicles and a decline in new vehicle sales. The negative variance in interest on investments was attributed to a drop in interest rates.

A negative variance of \$2,527 exists in public works. This was attributed to snow and ice expenditures exceeding the budgeted amounts.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities as of June 30, 2010 amounts to \$27,132,565. 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 included the following:

- Police vehicle for \$26,500.
- Fire station brownfields project for \$4,274.
- Streets and sidewalk for \$417,797.

Debt Administration. The Town's outstanding governmental debt, as of June 30, 2010, totaled \$12,656,226, of which \$8,485,000 is for the school project, \$1,249,400 is for water projects, \$250,000 is for the police station, \$452,700 is for landfill projects, \$865,400 for departmental equipment, \$28,900 for Town building remodeling, \$42,600 for sewer lines, \$7,700 for dam repairs, \$25,000 for land acquisition, \$155,000 veteran's park, \$75,000 town hall boiler replacement, \$760,000 for the senior center, \$80,000 for road repairs, \$23,000 for water line and road repairs and PVPC-Brownfield Clean-up for \$156,526.

The Town also has capital leases for the school boiler, a dump truck, a fire administration vehicle for the fire department, a truck for the parks and recreation department, a truck and pickup truck for the public works department and an EMS 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 \$164,115 on the leases consisting of \$144,592 in principal and \$19,523 in interest.

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

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 ASSETS
JUNE 30, 2010**

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
CURRENT:	
Cash and Cash Equivalents	\$ 5,162,817
Investments	599,830
Cash in Custody of Others	136,915
Receivables, net of allowance for uncollectibles:	
Property Taxes	361,190
Tax Liens	186,877
Taxes Possessions	392,049
Excise Taxes	135,803
User Charges	197,620
Departmental	125,947
Due from Other Governments	1,803,757
Total current assets	<u>9,102,805</u>
NONCURRENT:	
Receivables, net of allowance for uncollectibles:	
Due from Other Governments	6,161,537
Capital Assets, net of accumulated Depreciation:	
Nondepreciable	3,328,461
Depreciable	23,804,104
Total noncurrent assets	<u>33,294,102</u>
Total Assets	<u><u>42,396,907</u></u>
LIABILITIES	
CURRENT:	
Warrants Payable	977,633
Accrued Payroll	83,683
Payroll Withholdings	89,823
Tax Refund Payable	34,500
Taxes Collected in Advance	8,362
Other	3,066
Accrued Interest	174,855
Compensated Absences	119,942
Bond Anticipation Notes Payable	231,250
Bonds and Leases Payable	1,510,826
Total current liabilities	<u>3,233,940</u>
NONCURRENT:	
Compensated Absences	465,620
OPEB Obligation Payable	3,971,739
Bonds and Leases Payable	11,289,992
Total noncurrent liabilities	<u>15,727,351</u>
Total Liabilities	<u><u>18,961,291</u></u>
NET ASSETS:	
Invested in Capital Assets, net of related debt	21,183,341
Restricted for:	
Capital Projects	131,010
Federal & State Grants	881,000
Permanent Funds:	
Expendable	7,459
Nonexpendable	137,328
Other Purposes	277,250
Unrestricted	818,228
Total Net Assets	<u><u>\$ 23,435,616</u></u>

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

**TOWN OF WARE, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Net (Expenses) Revenues and and Changes in Net Assets	Program Revenues				Primary Governmental Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	

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

**TOWN OF WARE, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General Fund	Stabilization Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 3,343,494	\$ 326,911	\$ 1,492,412	\$ 5,162,817
Investments	-	374,835	224,995	599,830
Cash in Custody of Others	-	-	136,915	136,915
Receivables, net of allowance for uncollectibles:				
Property Taxes	361,190	-	-	361,190
Tax Liens	186,877	-	-	186,877
Tax Possessions	392,049	-	-	392,049
Excise Taxes	135,803	-	-	135,803
User Charges	197,620	-	-	197,620
Departmental	-	-	125,947	125,947
Due from Other Governments	7,114,437	-	736,844	7,851,281
Total Assets	\$ 11,731,470	\$ 701,746	\$ 2,717,113	\$ 15,150,329
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Warrants Payable	\$ 658,843	\$ -	\$ 318,790	\$ 977,633
Accrued Payroll	63,988	-	19,695	83,683
Payroll Withholdings	89,823	-	-	89,823
Tax Refund Payable	34,500	-	-	34,500
Taxes Collected in Advance	8,362	-	-	8,362
Other	3,066	-	-	3,066
Deferred Revenue:				
Property Taxes	290,940	-	-	290,940
Other	7,976,507	-	483,687	8,460,194
Bond Anticipation Notes Payable	-	-	231,250	231,250
Total Liabilities	9,126,029	-	1,053,422	10,179,451
Fund Balance:				
Reserved For:				
Encumbrances and continuing appropriations	250,121	-	-	250,121
Perpetual Permanent Funds	-	-	137,328	137,328
Unreserved:				
Designated for Subsequent Years' Expenditures	792,648	-	-	792,648
Undesignated, reported in:				
General Fund	1,562,672	-	-	1,562,672
Special Revenue	-	701,746	1,619,144	2,320,890
Capital Projects	-	-	(100,240)	(100,240)
Permanent Funds	-	-	7,459	7,459
Total Fund Balance	2,605,441	701,746	1,663,691	4,970,878
Total Liabilities and Fund Balance	\$ 11,731,470	\$ 701,746	\$ 2,717,113	\$ 15,150,329

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, 2010

	General Fund	Stabilization Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 11,330,441	\$ -	\$ -	\$ 11,330,441
Intergovernmental	11,518,034	-	3,993,092	15,511,126
Excise and Other Taxes	797,352	-	-	797,352
Charges for Services	1,426,649	-	1,037,287	2,463,936
Licenses, Permits, Fees	422,704	-	-	422,704
Interest on Taxes	78,640	-	-	78,640
Investment Income	14,851	12,524	12,019	39,394
Gifts and Donations	-	-	69,267	69,267
Other	-	-	25,160	25,160
Intergovernmental - "On-behalf" Payments	2,160,491	-	-	2,160,491
Total Revenues	27,749,162	12,524	5,136,825	32,898,511
Expenditures:				
Current:				
General Government	1,014,606	-	297,177	1,311,783
Public Safety	2,850,199	-	322,330	3,172,529
Public Works (including water and sewer)	2,052,255	-	729,858	2,782,113
Education	11,427,532	-	2,303,964	13,731,496
Health and Human Services	457,043	-	54,372	511,415
Culture and Recreation	356,777	-	937,397	1,294,174
Employee Benefits and Insurance	6,412,948	-	-	6,412,948
State Assessments	1,447,415	-	-	1,447,415
Debt Service:				
Principal	1,497,961	-	-	1,497,961
Interest	566,810	-	-	566,810
Total Expenditures	28,083,546	-	4,645,098	32,728,644
Excess of Revenues Over (Under) Expenditures	(334,384)	12,524	491,727	169,867
Other Financing Sources (Uses):				
Operating Transfers In	385,424	70,645	1,000	457,069
Operating Transfers Out	(71,645)	-	(385,424)	(457,069)
MTBE Litigation Settlement Proceeds	98,784	-	-	98,784
Total Other Financing Sources (Uses)	412,563	70,645	(384,424)	98,784
Net Change in Fund Balances	78,179	83,169	107,303	268,651
Fund Balances, Beginning of Year	2,527,262	618,577	1,556,388	4,702,227
Fund Balances, End of Year	\$ 2,605,441	\$ 701,746	\$ 1,663,691	\$ 4,970,878

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 Assets
For the Year Ended June 30, 2010

Total Governmental Fund Balances			\$	4,970,878
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds				27,132,565
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis				8,865,147
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:				
Bonds and Leases Payable	\$	(12,800,818)		
Other Post Employment Benefits Payable		(3,971,739)		
Compensated Absences		(585,562)		(17,358,119)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due				(174,855)
Net Assets of Governmental Activities			\$	<u>23,435,616</u>

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

TOWN OF WARE, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds	\$	268,651
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:

Capital Outlay Purchases	\$ 448,571	
Depreciation	<u>(1,461,654)</u>	(1,013,083)

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 deferred revenue and WPAT principal subsidy

(750,647)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:

Repayment of Debt and Lease Principal	1,568,747
---------------------------------------	-----------

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

Net Change in Compensated Absences	17,962	
Net Change in Other Post Employment Benefits	(2,001,907)	
Net Change in Accrued Interest on Long-Term Debt	<u>6,456</u>	<u>(1,977,489)</u>

Change in Net Assets of Governmental Activities	\$	<u>(1,903,821)</u>
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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, 2010**

	Budgeted Amounts		Actual	Amounts	Variance with
	Original	Final	Budgetary	Carried	Final Budget
	Budget	Budget	Basis	Forward	Positive
				to Next Year	(Negative)
Revenues:					
Property Taxes	\$ 11,720,436	\$ 11,155,077	\$ 11,210,641	\$ -	\$ 55,564
Intergovernmental	11,017,545	11,017,545	11,518,034	-	500,489
Excise and Other Taxes	869,000	869,000	797,352	-	(71,648)
Charges for Services	1,290,000	1,290,000	1,426,649	-	136,649
Licenses, Permits, Fees	362,100	362,100	422,704	-	60,604
Interest on Taxes	50,000	50,000	78,640	-	28,640
Investment Income	30,000	30,000	14,851	-	(15,149)
Total Revenues	25,339,081	24,773,722	25,468,871	-	695,149
Expenditures:					
Current:					
General Government	1,094,001	1,184,321	1,014,606	92,653	77,062
Public Safety	2,879,310	2,880,234	2,850,199	9,743	20,292
Public Works (including water and sewer)	2,096,347	2,063,330	2,052,255	13,602	(2,527)
Education	11,795,415	11,504,449	11,427,532	75,363	1,554
Health and Human Services	401,014	480,267	457,043	8,800	14,424
Culture and Recreation	377,154	371,004	356,777	10,540	3,687
Employee Benefits and Insurance	4,459,074	4,361,274	4,279,294	-	81,980
State Assessments	1,485,448	1,485,448	1,447,415	39,420	(1,387)
Debt Service:					
Principal	1,486,391	1,486,391	1,484,131	-	2,260
Interest	587,522	587,522	553,803	-	33,719
Total Expenditures	26,661,676	26,404,240	25,923,055	250,121	231,064
Excess of Revenues Over (Under) Expenditures	(1,322,595)	(1,630,518)	(454,184)	(250,121)	926,213
Other Financing Sources (Uses):					
Operating Transfers In (Out)	426,743	382,098	313,779	-	(68,319)
MTBE Litigation Settlement Proceeds	-	-	98,784	-	98,784
Total Other Financing Sources (Uses)	426,743	382,098	412,563	-	30,465
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(895,852)	(1,248,420)	(41,621)	(250,121)	956,678
Budgetary Fund Balance - Beginning of Year	2,611,312	2,611,312	2,611,312	-	-
Budgetary Fund Balance - End of Year	\$ 1,715,460	\$ 1,362,892	\$ 2,569,691	\$ (250,121)	\$ 956,678

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, 2010

	<u>Revenues</u>	<u>Expenditures</u>
Reported on a Budgetary Basis	\$ 25,468,871	\$ 25,923,055
Net Increase in Revenue from recording Refund Taxes Payable	94,900	
Recognition of intergovernmental Revenue - "on behalf payments"	2,160,491	
Recognition of Expenditures - "on behalf payments"		2,160,491
Net Increase in Revenue from Recording 60-Day Receipts	24,900	
Reported on a GAAP Basis	<u>\$ 27,749,162</u>	<u>\$ 28,083,546</u>

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

**TOWN OF WARE, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010**

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 61,003	\$ 143,379
Investments	197,774	-
Total Assets	258,777	143,379
LIABILITIES		
Due to Student Groups	-	64,123
Escrows & Deposits	-	79,256
Total Liabilities	-	143,379
NET ASSETS:		
Held in Trust for Other Purposes	\$ 258,777	\$ -

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

**TOWN OF WARE, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Private Purpose Trust Funds</u>
Additions	
Investment Income:	
Interest & Dividends	5,273
Net Change in Fair Value of Investments	1,744
Total Investment Earnings	<u>7,017</u>
Total Additions	<u>7,017</u>
Deductions	
Educational Scholarships	3,850
Total Deductions	<u>3,850</u>
Change in Net Assets	<u>3,167</u>
Net Assets at Beginning of Year	<u>255,610</u>
Net Assets at End of Year	<u><u>\$ 258,777</u></u>

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

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Ware, Massachusetts (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 2010, it was determined that no entities met the required GASB-39 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 are as 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.

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.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (e.g., statement of net assets 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.

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*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column. Fiduciary funds are reported by fund type.

Major Fund Criteria

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 fund 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.

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

The governmental-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the government 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

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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 government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *stabilization funds* are a special revenue fund used to account for the accumulation of resources to provide general and/or capital reserves, and planning and development's ongoing and future operations.

Additionally, the government 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 *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.

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 funds or the capital projects fund) 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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).

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available 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.

Property Taxes, Tax Liens and Tax Possessions

Property taxes are based on assessments as of January 1, 2009 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

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

property taxes are recognized in the fiscal year for which they have been levied. The Town mailed preliminary tax bills for the fiscal year 2010 on June 25, 2009, that were due on August 3, 2009 and November 2, 2009 and actual bills on December 29, 2009 that were due on February 1, 2010 and May 3, 2010.

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 2010 is \$11,297,603 consisting of a base of \$11,113,136 and a debt exclusion of \$184,467. The total amount raised by taxation was \$11,290,077.

The allowance for uncollectible accounts is estimated 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.

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 included as a lien on the property owner's tax bill. Water and sewer charges are recorded as receivables in the fiscal year of the levy.

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

Departmental

Departmental receivables consist of ambulance and police-off duty details.

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

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

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

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.

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 Revenue

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

J. Net Assets and Fund Equity

Net assets are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have 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.

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balances represent tentative management plans that are subject to change. Fund balances have been "reserved for" or "designated for" the following:

"Encumbrances and continuing appropriations" represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

"Designated for subsequent years' expenditures" represents the amount of fund balance appropriated to be used for expenditures in the subsequent year's budget. The Town includes the following in the reserve:

General Fund:

Undesignated:

Free cash	\$ 792,648
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K. Long-term Debt

Long-term debt is reported as liabilities in the government-wide statement of net assets.

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

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.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

M. 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. Eligible General and Public Safety retirees and their spouses contribute 50% of premium rates for the medical plan selected, and eligible teachers and their spouses contribute 10%. The cost of providing health insurance is recognized in the general fund in the fiscal year paid. For the fiscal year ending June 30, 2010, the expense/expenditure, which is premiums plus implicit costs, totaled approximately \$1,198,096. There were approximately 126 participants eligible to receive benefits at June 30, 2010.

N. 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.
- The budget is legally enacted by vote at the annual Town meeting.
- 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.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

Massachusetts law requires cities and towns to provide for 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 2010, the Town incurred a final budget deficit of \$1,248,420 for the General Fund.

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

Unreserved Fund Balance:	
Free Cash Votes	\$ 1,021,589
Reserve for Ambulance	54,507
Prior Year's Encumbrances	377,223
Reserved for Deficits	(204,899)
	<u>\$ 1,248,420</u>

3. DETAILED NOTES

A. Cash, Investments and Cash and Investments in Custody of Trustees

Custodial Credit Risks – Deposits – Town's Financials

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2010 were \$5,514,145. Of these, \$672,095 was exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies – Town Financials

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.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

The Town has adopted an investment policy. Among the highlights are:

- The Town will diversify its investments by security type and institution. With the exception of U. S. Treasury securities or U. S. Government agency funds and the State Treasurer's investment pools, no more than 75% of the Town's total investment portfolio, excluding U. S. obligations and Government agency funds with a single financial institution.
- The Town will not have on deposit with a single financial institution more than 60% of the institution's total equity presented on the specific institution's annual audited financial statements.
- The Town will utilize the MMDT as an integral part of its overall investment strategy.
- The Town will utilize U. S. Treasury and Government agency securities for reasons of diversification and security. Treasury securities will be purchased either at auction or through the registered dealers. The definition of agency securities will include instrumentalities, but will be limited to discount notes and variable rate notes. Coupon securities may be purchased on the secondary market as long as the remaining maturity is less than one year.

As of June 30, 2010, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	
Debt Securities:					
U. S. Treasury	\$ 50,004	\$ -	\$ 50,004	\$ -	
U. S. government agencies	449,747	-	222,937	226,810	
Corporate bonds	52,844	-	52,844	-	
Bond mutual funds	19,241	-	-	19,241	
Money market mutual fund	74,611	74,611	-	-	
	646,447	74,611	325,785	246,051	
Other Investments:					
Equity securities - domestic	315				
Certificates of deposit	150,842				
	\$ 797,604				

Custodial Credit Risks

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 \$797,604 in 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's investment policy is to provide as much security as possible for the Town's bank investments through the prudent selection process. Additionally the Town will utilize the MMDT as a comparatively safe instrument as an integral part of its overall investment strategy.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

Interest Rate Risk

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

The Town's exposure to credit risk as of June 30, 2010 is as follows:

Related Debt Instruments	Fair Value	Moody's Quality Rating				Not Rated
		Aaa	Aa2	A2	A1	
Debt Securities:						
U. S. Treasury	\$ 50,004	\$ 50,004	\$ -	\$ -	\$ -	-
U. S. government agencies	449,747	449,747	-	-	-	-
Corporate bond	52,844	-	21,222	22,160	9,462	-
Money market mutual fund	74,611	-	-	-	-	74,611
Bond mutual fund	19,241	19,241	-	-	-	-
	<u>\$ 646,447</u>	<u>\$ 518,992</u>	<u>\$ 21,222</u>	<u>\$ 22,160</u>	<u>\$ 9,462</u>	<u>\$ 74,611</u>

Concentration of Credit Risk

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 Company, Federal National Mortgage Association and Federal Home Loan Bank amounting to 20.89%, 27.09% and 8.24%, respectively, of the Town's total investments.

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

B. Receivables

At June 30, 2010, receivables for the individual major governmental funds, non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 366,015	\$ (4,825)	\$ 361,190
Tax liens	186,877	-	186,877
Tax possessions	392,049	-	392,049
Excise taxes	166,903	(31,100)	135,803
User charges	199,620	(2,000)	197,620
Departmental	139,229	(13,282)	125,947
Due from other governments	7,851,281	-	7,851,281
	<u>\$ 9,301,974</u>	<u>\$ (51,207)</u>	<u>\$ 9,250,767</u>

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

The composition of amounts due from other governments as of June 30, 2010 for governmental funds is as follows:

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

School Building Authority:

School building assistance - Capital portion \$ 6,968,831

Department of Revenue:

Veterans, Blind Surviving & Spouse Exemption Reimbursement 25,625

Department of Veterans Services:

Veterans services 119,981 \$ 7,114,437

Nonmajor Governmental Funds:

U. S. Department of Agriculture:

Rural Development 15,000

U. S. Department of Education:

School Title Grants 262,824

U. S. Department of Homeland Security:

Staffing for Adequate Fire and Emergency Response 10,898

Commonwealth of Massachusetts:

Executive Office of Public Safety and Homeland Security:

State 911 Grant 5,000

Click It or Ticket 1,400

Massachusetts Highway Department:

Chapter 90 funded projects 441,722 736,844
\$ 7,851,281

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The balance of the general fund deferred revenues account is equal to all of June 30, 2010 receivable balances, except real estate and personal property taxes that are accrued for subsequent 60 day collections. The amount accrued for 60-day receipts for property taxes is \$70,250.

The various components of the other deferred revenue reported in the governmental funds were as follows:

General Fund:

Property taxes \$ 290,940

Tax liens and tax possessions \$ 578,926

Excise taxes 135,803

User charges 197,620

Due from other governments 7,064,158 7,976,507

Nonmajor Governmental Funds:

Departmental 93,013

Due from other governments 390,674 483,687

\$ 8,751,134

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

C. Capital Assets

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,787,501	\$ -	\$ -	\$ 2,787,501
Construction in progress	489,368	422,071	(370,479)	540,960
Total capital assets not being depreciated	3,276,869	422,071	(370,479)	3,328,461
Capital assets being depreciated:				
Buildings and Renovations	23,371,017	-	-	23,371,017
Machinery, equipment and other	4,532,996	26,500	-	4,559,496
Infrastructure	9,905,165	370,479	-	10,275,644
Total capital assets being depreciated	37,809,178	396,979	-	38,206,157
Less accumulated depreciation for:				
Buildings and Renovations	8,828,589	924,454	-	9,753,043
Machinery, equipment and other	2,498,489	253,910	-	2,752,399
Infrastructure	1,613,321	283,290	-	1,896,611
Total accumulated depreciation	12,940,399	1,461,654	-	14,402,053
Total capital assets being depreciated, net	24,868,779	(1,064,675)	-	23,804,104
Total governmental activities capital assets, net	\$ 28,145,648	\$ (642,604)	\$ (370,479)	\$ 27,132,565

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

Governmental Activities:

General government	\$ 16,080
Public safety	174,696
Public works	337,918
Education	817,804
Health and Human Services	79,566
Culture and recreation	35,590
Total depreciation expense - governmental activities	<u>\$ 1,461,654</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2010, are summarized as follows:

Transfers Out:	Transfers In:			
	General fund	Stabilization funds	Nonmajor governmental funds	Total
General fund	\$ -	\$ 70,645	\$ 1,000	\$ 71,645
Nonmajor governmental funds	385,424	-	-	385,424
Total transfers out	<u>\$ 385,424</u>	<u>\$ 70,645</u>	<u>\$ 1,000</u>	<u>\$ 457,069</u>

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

E. Leases

The Town has entered into lease agreements as lessee for financing the acquisition of a school boiler, a fire administration vehicle, a truck for the park and recreation department, a truck and a pick up truck for the public works department and an EMS 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:	Governmental Activities
Buildings and improvements	\$ 293,625
Machinery, equipment and other	556,423
	<u>850,048</u>
Less: Accumulated depreciation	(431,338)
Total	<u><u>\$ 418,710</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, are as follows:

Year Ending June 30,	Governmental Activities
2011	\$ 56,055
2012	27,015
2013	27,015
2014	27,015
2015	27,015
Total minimum lease payments	<u>\$ 164,115</u>
Less: amount representing interest	(19,523)
Present value of minimum lease payments	<u><u>\$ 144,592</u></u>

F. Short-Term Financing

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

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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Details related to the short-term debt activity of the governmental type fund are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2009	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2010
State Anticipation Notes:						
Chapter 90 highway	1.78%	04/01/10	\$ 334,384	\$ -	\$ 334,384	\$ -
Bond Anticipation Notes:						
Municipal purpose loan	1.94%	06/04/10	231,250	-	231,250	-
Municipal purpose loan	1.10%	06/03/11	-	231,250	-	231,250
			<u>\$ 565,634</u>	<u>\$ 231,250</u>	<u>\$ 565,634</u>	<u>\$ 231,250</u>

G. 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 the governmental activities.

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

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2010
Inside Debt:					
Police Station	4.75%	09/08/00	09/08/19	500,000	\$ 250,000
Fire Department Equipment	4.82%	09/01/99	09/01/11	205,000	30,000
Land Acquisition	4.89%	09/01/99	09/01/14	110,000	25,000
Building Remodeling - Fire Station	3.56%	04/15/05	04/15/11	79,600	11,400
Building Remodeling - Court House	3.56%	04/15/05	04/15/11	120,000	17,500
Road and Water Line Repairs	3.56%	04/15/05	04/15/11	166,500	23,000
Dam Repairs	3.56%	04/15/05	04/15/11	47,450	7,700
DPW Equipment	3.56%	04/15/05	04/15/11	93,700	15,400
Sewer Lines	4.95%	12/15/05	12/15/10	68,000	12,000
PVPC-Brownfield Clean up	2.00%	07/01/06	07/01/14	200,000	156,526
Equipment - Fire Department and DPW	3.66%	03/15/08	03/15/22	980,000	820,000
Veteran's Park	3.68%	03/15/08	03/15/22	185,000	155,000
Town Hall Boiler Replacement	3.74%	03/15/08	03/15/25	87,000	75,000
Senior Center	3.78%	03/15/08	03/15/27	852,000	760,000
Road Repairs	3.67%	03/15/08	03/15/18	100,400	80,000
Sewer Line Repairs	3.80%	03/15/08	03/15/28	33,600	30,600
Landfill Capping - WPAT	N/A	12/09/98	08/01/18	906,800	452,700
Total Inside Debt					<u>2,921,826</u>
Outside Debt:					
School Building Refunding	3.77%	12/15/05	09/01/18	8,640,000	8,485,000
Water	4.93%	09/01/99	09/01/16	1,184,400	345,000
Water Control Facility	3.80%	03/15/08	03/15/28	831,000	755,000
Water Line Repairs	3.80%	03/15/08	03/15/28	167,000	149,400
Total Outside Debt					<u>9,734,400</u>
Total governmental type debt					<u>\$ 12,656,226</u>

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2010 are as follows:

Governmental	Principal	Interest	Total
2011	\$ 1,461,992	\$ 495,127	\$ 1,957,119
2012	1,371,939	433,876	1,805,815
2013	1,289,396	405,521	1,694,917
2014	1,304,762	327,443	1,632,205
2015	1,331,737	269,342	1,601,079
2016-2020	5,031,400	598,292	5,629,692
2021-2025	630,000	113,587	743,587
2026-2028	235,000	17,000	252,000
	<u>\$ 12,656,226</u>	<u>\$ 2,660,188</u>	<u>\$ 15,316,414</u>

**TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

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

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due within One Year
Governmental activities:					
Long-Term Bonds	\$ 14,118,378	\$ -	\$ 1,462,152	\$ 12,656,226	\$ 1,461,992
Leases Payable	251,187	-	106,595	144,592	48,834
Compensated absences	603,524		17,962	585,562	119,942
OPEB Obligation payable	1,969,832	2,001,907	-	3,971,739	-
Governmental activity long-term liabilities	\$ 16,942,921	\$ 2,001,907	\$ 1,586,709	\$ 17,358,119	\$ 1,630,768

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal and interest in the amount of \$ \$565,533 for one loan which the Town has borrowed from MWPAT. The gross amount outstanding at June 30, 2010 for principal and interest combined for the loan is \$573,979. The net repayments, including interest, are scheduled to be \$376,761. The principal subsidies are guaranteed and therefore an \$114,013 intergovernmental receivable has been reported in the government-wide financial statements. 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 2010 principal and interest subsidies totaled \$13,830 and \$13,007, respectively.

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, 2010 totaled \$2,921,826.

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, 2010

Equalized Valuation-Real Estate and Personal Property (2008)		\$ 903,301,300
Debt Limit: 5 % of Equalized value		\$ 45,165,065
Total Debt Outstanding	\$ 12,656,226	
Less: Debt Outside Debt Limit	(9,734,400)	2,921,826
Inside Debt Excess Borrowing Capacity at June 30, 2010		\$ 42,243,239

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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.

The Town has no loan authorizations that have not been issued as of June 30, 2010.

H. Special Trust Funds

Stabilization Funds

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and 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, 2010, \$701,746 has been set-aside in two stabilization funds, which are classified as major funds in the governmental funds financial statements.

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. Town Meeting – Fiscal Year 2011

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, 2010 do not reflect the fiscal year 2011 Town Meeting action, with the exception of Unreserved Fund Balance-Designated for Subsequent Years' Expenditures as disclosed below. The Annual Town Meeting on May 25, 2010 authorized a fiscal year 2011 operating and capital budget as follows:

From the tax levy	\$ 22,822,835
From water revenues	653,670
From sewer revenues	643,169
From other available funds:	
General Fund:	
Unreserved fund balance	
(Free Cash)	792,648
	<u>\$ 24,912,322</u>

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

C. Contingent Liabilities

Litigation

Various cases are pending against the Town. 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, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2010.

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.

D. Pension Plan

Plan Description

The Town, as a member of the Hampshire County Retirement System (the System), participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Hampshire County Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of the Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers' Retirement Board and are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$2,133,654 for the fiscal year ending June 30, 2010, and, accordingly, is reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

The Town has approximately 195 employees in the retirement system.

The System and the teachers' retirement system provide retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987 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 Hampshire County Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 99 Industrial Drive, Northampton, Massachusetts.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32B of the Massachusetts general laws governs the contributions of plan members and the Town.

The Town's contribution to the System for the fiscal years ended June 30, 2010, 2009 and 2008 is shown below, which equaled its required contribution for each fiscal year.

Fiscal Year Ended June 30	Town's Contribution
2010	\$ 1,030,214
2009	1,048,149
2008	986,867

The last actuarial valuation was prepared by the Segal Company as of January 1, 2007.

The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.25% compounded annually, (b) projected salary, including longevity, increases of 4.75% to 5.25% per year per member, (c) cost of living increase of 3% of the first \$12,000 of retirement income.

The unfunded actuarial liability for the entire county is \$94,388,066. The Town's portion of such liability is approximately 8.00% or \$7,551,045.

Reporting Policies

The funds of the Hampshire County Retirement System are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued and investments are amortized to value. The books are maintained on a calendar year basis from January 1st to December 31st in accordance with the standards and procedures outlined by the Commissioner of the Public Employees Retirement Administration.

Investments are reported in accordance with PERAC requirements.

E. 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.

**TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010**

Plan Description

- The Town provides the following plan types, Blue Cross HMO Blue, Blue Cross Master Medical, Managed Blue for Seniors, Medex, Commonwealth Indemnity Plan, Fallon Direct, Health New England and Plan Medicare Extension.
- Eligible General and Public Safety retirees and their spouses contribute 50% of premium rates for the medical plan selected, and eligible teachers and their spouses contribute 10%.
- An employee shall become eligible to retire under this plan upon meeting one of the following conditions:
 1. Completion of 20 years of service.
 2. For an employee hired prior to January 1, 1978 – attainment of age 55 as an active member.
 3. For an employee hired on or after January 1, 1978 – attainment of age 55 as an active member and completion of 10 years of service.
- The group term life insurance - \$2,000 employees eligibility is the same as above.

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 2010 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$1,198,096.

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:

Normal Cost	\$ 1,352,543
Amortization of unfunded actuarial accrued liability	1,753,964
Interest	124,260
Annual required contribution	<u>3,230,767</u>
Interest on net OPEB obligation	78,793
Adjustment to annual required contribution	<u>(109,557)</u>
Annual OPEB cost (expense)	3,200,003
Contributions made during the fiscal year	<u>1,198,096</u>
Increase in net OPEB obligation	2,001,907
Net OPEB Obligation - beginning of year	<u>1,969,832</u>
Net OPEB Obligation - end of year	<u><u>\$ 3,971,739</u></u>

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2010 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/08	N/A	N/A	N/A
06/30/09	\$ 3,095,121	36.36%	\$ 1,969,832
06/30/10	\$ 3,200,003	37.44%	\$ 3,971,739

Funded Status and Funding Process

As of July 1, 2008, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$30,126,469, and the actuarial value of assets was 0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$30,126,469. As indicated in the actuarial valuation the covered payroll (annual payroll of active employees covered by the plan) was not available, and the ratio of the UAAL to the covered payroll was not available.

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.

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 initial OPEB actuarial valuation as of July 1, 2008, used the projected unit credit actuarial cost method. The OPEB liability is currently unfunded and the actuarial assumptions include a 4.00 percent rate of return on invested assets. The actuarial assumptions include healthcare trend rates as follows:

Year	Medical
1	9.0%
2	8.0%
3	7.0%
4	6.0%
Ultimate	5.0%

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at June 30, 2010 is 28 years.

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, 2010

	Fund Balances July 1, 2009	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2010
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 133,574	\$ 1,251,949	\$ 1,201,524	\$ (2,508)	\$ 181,491
Arts Lottery Council Grant	3,424	4,070	3,110	-	4,384
Board of Health Emergency Preparedness Grant	4,892	21,265	6,616	-	19,541
Community Development Block Grants	328,793	1,560,101	1,651,157	-	237,737
Council on Aging Grants	(525)	18,770	20,848	-	(2,603)
E.E.C.B.G. American Recovery and Reinvestment Act	-	26,568	-	-	26,568
Greenways Trails Grant	(5,711)	-	-	-	(5,711)
Highway Grants	-	192,701	192,701	-	-
Library Grants	18,742	12,236	18,742	-	12,236
Other Grants and Programs	-	21,211	20,696	-	515
Public Safety Grants	23,034	93,627	97,993	(2,500)	16,168
Schools:					
School Lunch Revolving	55,327	510,498	521,073	-	44,752
School Lunch Commodities	-	28,476	28,476	-	-
School Choice	401,310	243,602	223,849	-	421,063
School Revolving Accounts	20,118	78,175	70,730	-	27,563
State Special Education Reimbursement Fund	249,797	229,566	251,784	-	227,579
Other:					
Ambulance	-	540,665	-	(380,416)	160,249
Council on Aging Center Rental Revolving	-	7,525	3,280	-	4,245
Drug Forfeiture	745	7,325	3,732	-	4,338
Gifts and Donations	125,663	69,298	106,744	1,000	89,217
Insurance Reimbursements	5,166	-	-	-	5,166
Police Outside Duty	-	159,594	159,594	-	-
Recreation Revolving	4,291	30,229	29,822	-	4,698
Sale of Cemetery Lots	3,173	325	-	-	3,498
School Rail Fund	2,765	21	-	-	2,786
Septic Repair Loan Repayments	37,969	973	-	-	38,942
SPC Fines, Chapter 304	110	300	410	-	-
Water/Sewer Development	18,418	139	-	-	18,557
Gilbert, Grandville Park Fund	32,766	12,679	3,766	-	41,679
Municipal Insurance Fund	5,102	149	-	-	5,251
Reed Swimming Pool Fund	26,964	6,614	4,343	-	29,235
Total Special Revenue Funds	\$ 1,495,907	\$ 5,128,651	\$ 4,620,990	\$ (384,424)	\$ 1,619,144

TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Fund Balances July 1, 2009	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2010
Capital Projects:					
Brownfields Project	\$ 12,300	\$ -	\$ 4,275	\$ -	8,025
Chlorination/Construction Facility	47,815	-	-	-	47,815
Dechlorination Project	1,339	-	-	-	1,339
Department of Public Works Roof	(60,080)	-	8,669	-	(68,749)
Goldstein Property	998	-	-	-	998
Grenville Park Road	(45,000)	-	-	-	(45,000)
Landfill Closure	1,673	-	-	-	1,673
Master Fire Alarm Communication Box	(60,000)	-	-	-	(60,000)
Palmer Road/Beaver Lake Project	5,826	-	-	-	5,826
Police Department Roof	(57,500)	-	-	-	(57,500)
Public Works Economic Development Grant	24,417	-	-	-	24,417
Senior Center Projects	9,139	-	-	-	9,139
Snows Pond Dam Construction	13,310	-	-	-	13,310
South Street Roof Construction	12,281	-	-	-	12,281
South Street Water Replacement	380	-	-	-	380
Underground Storage Tank Removal School	5,806	-	-	-	5,806
Total Capital Projects	(87,296)	-	12,944	-	(100,240)
Perpetual Permanent Funds:					
Cemetery Perpetual Care Funds:					
Aspen Grove Fund	116,252	475	-	-	116,727
George L. Draper Fund	10,000	-	-	-	10,000
Susan Connell Fund	4,000	-	-	-	4,000
Josephine Wood Fund	4,101	-	-	-	4,101
Mary Packard Fund	2,000	-	-	-	2,000
Donald Sherman Fund	500	-	-	-	500
Total Perpetual Permanent Funds	\$ 136,853	\$ 475	\$ -	\$ -	\$ 137,328

TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Fund Balances July 1, 2009	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2010
Permanent Funds:					
Cemetery Perpetual Care Funds:					
Aspen Grove Fund	\$ 4,035	\$ 4,584	\$ 7,985	\$ -	\$ 634
George L. Draper Fund	(291)	133	-	-	(158)
Susan Connell Fund	134	51	-	-	185
Helen Handanian Fund	1,719	351	794	-	1,276
Reed Memorial Fund	1,261	2,259	1,220	-	2,300
Josephine Wood Fund	1,107	155	263	-	999
Mary Packard Fund	1,881	120	902	-	1,099
Donald Sherman Fund	1,078	46	-	-	1,124
Total Permanent Funds	10,924	7,699	11,164	-	7,459
Total - Non-Major Governmental Funds	\$ 1,556,388	\$ 5,136,825	\$ 4,645,098	\$ (384,424)	\$ 1,663,691

TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY, SUPPLEMENTAL AND ROLLBACK TAXES
JULY 1, 2009 TO JUNE 30, 2010

	Uncollected Taxes July 1, 2009	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2010	Uncollected Taxes Per Detail June 30, 2010
Real Estate Taxes:						
Levy of 2010	\$ -	\$ 10,903,489	\$ 81,361	\$ 10,511,306	\$ 310,822	\$ 309,855
Levy of 2009	288,374	-	23,026	222,071	43,277	43,277
Levy of 2008	1,284	-	-	1,284	-	-
Levy of 2007	(1)	-	-	(1)	-	-
	289,657	10,903,489	104,387	10,734,660	354,099	353,132
Personal Property Taxes:						
Levy of 2010	-	392,282	523	388,981	2,778	2,778
Levy of 2009	3,197	-	-	490	2,707	2,707
Levy of 2008	436	-	-	-	436	436
Levy of 2007	367	-	-	-	367	367
Levy of 2006	190	-	-	-	190	190
Prior Years	5,404	-	-	-	5,404	5,404
	9,594	392,282	523	389,471	11,882	11,882
Supplemental Taxes	1,368	4,489	-	5,823	34	34
Rollback Taxes	3,331	19,218	1,002	21,547	-	-
Total Real Estate, Personal Property, Supplemental and Rollback Taxes	\$ 303,950	\$ 11,319,478	\$ 105,912	\$ 11,151,501	\$ 366,015	\$ 365,048

TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE, FARM ANIMAL EXCISE AND BOAT EXCISE TAXES
JULY 1, 2009 TO JUNE 30, 2010

	Uncollected Taxes July 1, 2009	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2010	Uncollected Taxes Per Detail June 30, 2010
Motor Vehicle Excise Taxes:						
Levy of 2010	\$ -	\$ 734,200	\$ 14,244	\$ 654,840	\$ 65,116	\$ 65,116
Levy of 2009	50,885	93,294	7,145	111,307	25,727	25,727
Levy of 2008	22,944	462	1,725	9,226	12,455	12,455
Levy of 2007	13,882	-	1,071	2,228	10,583	10,583
Levy of 2006	10,213	-	(9)	1,222	9,000	9,000
Prior Years	43,855	-	(216)	2,013	42,058	42,058
	141,779	827,956	23,960	780,836	164,939	164,939
Farm Animal Excise Taxes	1,684	2,141	-	2,079	1,746	1,746
Boat Excise Taxes	327	2,449	38	2,520	218	218
Total Motor Vehicle Excise, Farm Animal Excise, and Boat Excise Taxes	\$ 143,790	\$ 832,546	\$ 23,998	\$ 785,435	\$ 166,903	\$ 166,903

TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2009 TO JUNE 30, 2010

	Uncollected Accounts July 1, 2009	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2010	Uncollected Accounts Per Detail June 30, 2010
Tax Liens	\$ 234,418	\$ 28,868	\$ 13,463	\$ 62,946	\$ 186,877	\$ 186,877