

**TOWN OF WARE, MASSACHUSETTS**

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

**FISCAL YEAR ENDED JUNE 30, 2011**

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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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ware, Massachusetts, as of and for the year ended June 30, 2011, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ware, Massachusetts, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1B to the financial statements, the Town adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2012, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 11, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Government 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*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

March 23, 2012

## **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, 2011.

The Town adopted enterprise funds (under Chapter 44, Section 53F ½) for its sewer and water operations to begin in fiscal year 2011. As a result various accounts, including debt and fixed assets, were removed from the General Fund and transferred over to the Sewer and Water business-type activities.

### Financial Highlights

- The Town's assets exceeded its liabilities by \$20,829,579 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$23,435,616 or a decrease of \$2,606,037 (11%).
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$20,673,846 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 \$2,203,478 are restricted by constraints imposed from outside the Town such as grantors, laws or regulations.
  - (3) Unrestricted net assets of (\$2,047,745) represent a portion available to maintain the Town's continuing obligations to citizens and creditors.
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$4,174,856, a decrease of \$796,022 (16%)
- The General Fund's total fund balance decreased \$802,542 (24%) to \$2,504,645. The ending General fund balance is 9% of revenues and other sources and 9% of expenditures and other uses.
- Total liabilities of the Town increased by \$348,107 (2%) to \$19,309,398 during the fiscal year. This net change resulted from a net decrease in current liabilities of \$338,611 (the major components of which were decreases in bond anticipation notes of \$231,250, compensated absences of \$7,145 and other current liabilities of \$212,500 and an increase of \$112,284 in short term notes and leases payable) and a net increase in noncurrent liabilities of \$686,718 (the major components of which was an increase in the OPEB liability of \$1,915,854 and decreases in long term debt and leases payable of \$1,214,483 and compensated absences of \$14,653.)

### 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 business-type activities include the water and sewer activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

**Proprietary funds.** In fiscal year 2011, the Town adopted enterprise funds for sewer and water activities. The Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer activities.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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



**Financial Highlights**  
**Statement of Net Assets Highlights**

	<b>Governmental Activities</b>		
	<b>2011</b>	<b>2010</b>	<b>Change (Note 1)</b>
<b>Assets:</b>			
Current assets	\$ 8,088,930	\$ 9,102,805	\$ (1,013,875)
Noncurrent assets (excluding capital assets)	5,207,721	6,161,537	(953,816)
Capital assets	21,788,493	27,132,565	(5,344,072)
<b>Total assets</b>	<b>35,085,144</b>	<b>42,396,907</b>	<b>(7,311,763)</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt and leases)	1,198,319	1,491,864	(293,545)
Noncurrent liabilities (excluding debt and leases)	6,114,839	4,437,359	1,677,480
Current debt including leases	1,493,110	1,742,076	(248,966)
Noncurrent debt including leases	9,055,509	11,289,992	(2,234,483)
<b>Total liabilities</b>	<b>17,861,777</b>	<b>18,961,291</b>	<b>(1,099,514)</b>
<b>Net Assets:</b>			
Capital assets net of related debt	17,401,411	21,183,341	(3,781,930)
Restricted	2,154,324	1,434,047	720,277
Unrestricted	(2,332,368)	818,228	(3,150,596)
<b>Total net assets</b>	<b>\$ 17,223,367</b>	<b>\$ 23,435,616</b>	<b>\$ (6,212,249)</b>

Note 1 - The decreases between the two years are the result of the Town adopting the business-type activities to account for the water and sewer activities in fiscal year 2011.

**Business-Type Activities**

	<b>Business-Type Activities 2011</b>
<b>Assets:</b>	
Current assets	\$ 631,398
Capital assets	4,422,435
<b>Total assets</b>	<b>5,053,833</b>
<b>Liabilities:</b>	
Current liabilities (excluding debt)	73,900
Noncurrent liabilities (excluding debt)	223,721
Current debt	130,000
Noncurrent debt	1,020,000
<b>Total liabilities</b>	<b>1,447,621</b>
<b>Net Assets:</b>	
Capital assets net of related debt	3,272,435
Restricted	49,154
Unrestricted	284,623
<b>Total net assets</b>	<b>\$ 3,606,212</b>

Since 2011 is the first year for the business-type activities, no comparison with the prior year is shown.

## Statement of Activities Highlights

	Governmental Activities		
	2011	2010	Change (Note 1)
<b>Program Revenues:</b>			
Charges for services	\$ 1,398,389	\$ 2,904,630	\$ (1,506,241)
Operating grants and contributions	14,629,256	14,427,486	201,770
Capital grants and contributions	843,842	754,350	89,492
<b>General Revenues:</b>			
Property taxes	11,609,456	11,333,376	276,080
Motor vehicle excise and other taxes	825,499	815,666	9,833
Penalties and interest on taxes	71,499	78,640	(7,141)
Nonrestricted grants	1,839,524	1,902,436	(62,912)
Unrestricted investment income	17,827	27,375	(9,548)
Miscellaneous	1,598	2,214	(616)
<b>Total revenues</b>	<b>31,236,890</b>	<b>32,246,173</b>	<b>(1,009,283)</b>
<b>Expenses:</b>			
General government	1,918,406	1,322,021	596,385
Public safety	3,367,792	3,280,018	87,774
Public works (Including Water & Sewer)	1,540,079	2,668,364	(1,128,285)
Education	15,115,436	14,549,300	566,136
Health and human services	1,404,099	1,447,331	(43,232)
Culture and recreation	452,829	460,811	(7,982)
Employee benefits and insurance	8,515,922	8,414,855	101,067
State assessments	1,585,808	1,447,415	138,393
Interest	412,410	560,354	(147,944)
<b>Total expenses</b>	<b>34,312,781</b>	<b>34,150,469</b>	<b>162,312</b>
<b>Contributions to permanent funds</b>	<b>900</b>	<b>475</b>	<b>425</b>
<b>Transfers, net</b>	<b>(3,137,258)</b>	<b>-</b>	<b>(3,137,258)</b>
<b>Change in net assets</b>	<b>(6,212,249)</b>	<b>(1,903,821)</b>	<b>(4,308,428)</b>
<b>Net assets - beginning of year</b>	<b>23,435,616</b>	<b>25,339,437</b>	<b>(1,903,821)</b>
<b>Net assets - end of year</b>	<b>\$ 17,223,367</b>	<b>\$ 23,435,616</b>	<b>\$ (6,212,249)</b>

Note 1 - The decreases between the two years are the result of the Town adopting the business-type activities to account for the water and sewer activities in fiscal year 2011

	<b>Business-Type Activities 2011</b>
<b>Program Revenues:</b>	
Charges for services - water	\$ 1,003,330
Charges for services - sewer	834,326
Operating grants and contributions - water	327
Operating grants and contributions - sewer	180
<b>Total revenues</b>	<b>1,838,163</b>
<b>Expenses:</b>	
Water	713,396
Sewer	655,813
<b>Total expenses</b>	<b>1,369,209</b>
<b>Net (expenses) revenues</b>	<b>468,954</b>
<b>Transfers</b>	<b>3,137,258</b>
<b>Change in net assets</b>	<b>3,606,212</b>
<b>Net assets - beginning of year</b>	<b>-</b>
<b>Net assets - end of year</b>	<b>\$ 3,606,212</b>

Since 2011 is the first year for the business-type activities,  
no comparison is shown.

### **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 \$20,829,579 at the close of FY 2011.

Net assets of \$20,673,846 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 \$2,203,478 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net assets* \$(2,047,745).

At the end of the current fiscal year, the Town is able to report positive balances in the categories of net assets, with the exception of the unrestricted governmental activities

The unrestricted governmental activities resulted in a negative balance of \$2,332,368 as a result of the accrual of the OPEB liability obligation that is required under GASB No. 45 to be accrued. The liability for OPEB as presented on the statement of net assets for the governmental activities is \$5,705,530.

The governmental activities net assets decreased by \$6,212,249 during the current fiscal year, which reflects the general fund's results of operations. This was attributed to expenditures exceeding revenues by \$3,075,891, contributions to permanent funds of \$900 and net transfers to the business-type funds of \$3,137,258. A portion of the decrease is the result of the Town adopting business-type activities to account for

its water and sewer operations and the transfers of assets is shown as net transfers to the business-type activities.

There was an increase of \$3,606,212 in net assets reported in the business-type activities. Of this, there was an increase of \$2,959,870 attributed to the water department and an increase of \$646,342 attributed to the sewer department. Part of this increase is the transfer of accounts from the governmental activities to the water and sewer fund of \$2,741,491 and \$561,136, respectively for a total of \$3,302,627.

### ***Financial Analysis of the Government's Funds***

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$4,174,856 a decrease of \$796,022 (16%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance - \$138,228 (3%).
- Restricted fund balance - \$1,442,163 (35%).
- Committed fund balance - \$89,820 (2%)
- Assigned fund balance - \$790,326 (19%)
- Unassigned fund balance - \$1,714,319 (41%).

### ***Major Governmental Funds***

At the end of the fiscal year, the General Fund reported a total fund balance of \$2,504,645 decreasing \$802,542 (24%) from the prior year. Of the \$2,504,645, the unassigned amount is \$1,714,319 and the assigned amount is \$790,326. General fund revenues were \$1,466,444 (5%) less than the prior fiscal year (partly because \$1,426,649 of the decrease was 2010 charges for services which in 2011 are now shown as business type revenues) and expenditures increased by \$23,702 (.08%) (expenditures of approximately \$1,101,221 were for water and sewer funds in 2010, now shown as business type expenditures. Without the water and sewer expenditures there would be an increase in expenditures of \$1,124,923 (4%) from the prior year.) Other activity in the General Fund were net transfers from nonmajor governmental funds of \$658,642, transfers from the business-type activities of \$116,215 for indirect costs and capital leases for \$247,131.

Increases in general fund revenues as compared to the prior year were as follows:

- Property taxes \$143,958 (1%)
- Excise and other taxes \$33,871 (4%)
- Interest on investments \$2,976 (20%)
- On behalf payments \$8,345 (.39%).

Decreases in general fund revenues as compared to the prior year were as follows:

- Intergovernmental \$195,036 (2%)
- Charges for services \$1,426,649 (100%)
- Licenses, permits and fees \$26,768 (6%)
- Interest on taxes \$7,141 (9%)

The decrease in charges for services resulted from water and sewer revenue being reported as business-type activities in fiscal year 2011.

Increases in general fund expenditures as compared to the prior year were as follows:

- General government \$415,443 (41%)
- Public safety \$459,210 (16%)
- Health and human services \$110,268 (24%)
- Culture and recreation \$1,361 (.38%)
- Employees benefits and insurance \$233,493 (4%)
- State assessments \$138,393 (10%)

Decreases in general fund expenditures as compared to the prior year were as follows:

- Public works \$1,035,282 (50%)
- Education \$29,193 (.26%)
- Principal on debt service \$150,955 (10%)
- Interest on debt service \$119,036 (21%)

The decreases in public works and principal and interest on debt service resulted from expenditures being reported as business-type activities in fiscal year 2011.

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

The *Water Fund* is the financing and operations of the Town's water system. The water fund shows an increase of \$2,959,870 attributed to operating revenues exceeding operating costs by \$354,188, interest income of \$327, interest expense of \$64,254, transfers to the general fund of \$71,882 for indirect costs and transfers from the governmental activities of \$2,741,491 as a result of the adoption of the enterprise fund.

The *Sewer Fund* is the financing and operations of the Town's sewer system. The sewer fund shows an increase of \$646,342 attributed to operating revenues exceeding current operating costs by \$180,299, interest income of \$180, interest expense of \$1,786, transfers to the general fund of \$93,487 for indirect costs and transfers from the governmental activities of \$561,136 as a result of the adoption of the enterprise fund.

### ***General Fund Budgetary Highlights***

The final general fund budget for fiscal year 2011 was \$25,990,262.

There was an increase of \$725,539 between the original budget and the final amended budget. The change is attributed to the Town amending specific budget line items of the final budget as follows:

- General government was increased \$362,489.
- Public safety was increased \$175,000.
- Public works was increased \$21,000.
- Education was increased \$17,050.
- Health and human services was increased \$150,000.

Of the \$298,981 in under budget expenditures \$234,265 has been carried over to fiscal year 2012.

There are negative variances in property taxes, excise and other taxes and interest on investments of \$950, \$17,777 and \$2,952, respectively. The negative variance in property taxes and excise and other taxes is the result of less collections. The negative variance in interest on investments was attributed to a drop in interest rates.

A negative variance of \$110,664 exists in public works as a result of snow and ice costs exceeding the budgeted costs. A negative variance of \$141,155 exists in state assessments. This was attributed to expenditures exceeding the amounts estimated for the school choice, special education and RMV non-renewal surcharge assessments of \$148,672, \$279 and \$640, respectively and an over estimate in the charter school assessment of \$8,435.

### ***Capital Asset and Debt Administration***

**Capital Assets.** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounts to \$21,788,493 and \$4,422,435, respectively.

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

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

- Fire vehicles including an ambulance for \$266,427.
- Police vehicles for \$84,459.
- Streets and sidewalks for \$117,019.
- Fire station brownfields project for \$6,636.
- New fire station construction for \$77,770

There were no major capital acquisitions during the current fiscal year in the business-type activities with the exception of the transfer of assets from the governmental activities upon the adoption of enterprise funds.

**Debt Administration.** The Town's outstanding governmental debt, as of June 30, 2011, totaled \$10,242,844, of which \$7,510,000 is for the school project, \$225,000 is for the police station, \$405,100 is for landfill projects, \$795,000 for departmental equipment, \$20,000 for land acquisition, \$140,000 veteran's park, \$70,000 town hall boiler replacement, \$715,000 for the senior center, \$70,000 for road repairs, \$134,134 for PVPC-Brownfield clean-up, \$119,235 for roof replacement and \$39,375 for road reconstruction.

The business-type funds have \$1,121,100 in water debt and \$28,900 in sewer debt.

The Town also has capital leases for a fire administration vehicle and an ambulance 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 \$344,516 on the leases consisting of \$305,775 in principal and \$38,741 in interest.

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

### ***Next Year's Annual Town Meeting***

The Town of Ware operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2011 do not reflect the fiscal year 2012 Town Meeting action. The Annual Town Meeting on May 9, 2011 authorized a fiscal year 2012 operating and capital budget as follows:

From the tax levy	\$ 23,205,439
From water revenues	702,815
From sewer revenues	693,475
From other available funds:	
Unreserved fund balance - Free cash	556,061
Reserved for ambulance	12,000
	<u>\$ 25,169,790</u>

### ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Ware's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Hall, 126 Main Street, Ware, Massachusetts.

## **BASIC FINANCIAL STATEMENTS**



**TOWN OF WARE, MASSACHUSETTS  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and Cash Equivalents	\$ 3,882,378	\$ 420,119	\$ 4,302,497
Investments	533,685	-	533,685
Cash in Custody of Others	208,048	-	208,048
Receivables, net of allowance for uncollectibles:			
Property Taxes	350,717	-	350,717
Tax Liens	288,958	-	288,958
Tax Possessions	427,248	-	427,248
Excise Taxes	130,080	-	130,080
User Charges	-	211,279	211,279
Departmental	122,619	-	122,619
Due from Other Governments	2,145,197	-	2,145,197
Total current assets	8,088,930	631,398	8,720,328
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Due from Other Governments	5,207,721	-	5,207,721
Capital Assets, net of accumulated Depreciation:			
Non-depreciable	2,693,056	393,400	3,086,456
Depreciable	19,095,437	4,029,035	23,124,472
Total noncurrent assets	26,996,214	4,422,435	31,418,649
<b>Total Assets</b>	<b>35,085,144</b>	<b>5,053,833</b>	<b>40,138,977</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants Payable	608,794	35,319	644,113
Accrued Payroll	132,877	8,466	141,343
Payroll Withholdings	102,868	-	102,868
Taxes Collected in Advance	114,533	-	114,533
Other	3,066	-	3,066
Accrued Interest	138,998	14,501	153,499
Compensated Absences	97,183	15,614	112,797
Bonds and Leases Payable	1,493,110	130,000	1,623,110
Total current liabilities	2,691,429	203,900	2,895,329
<b>NONCURRENT:</b>			
Compensated Absences	409,309	41,658	450,967
OPEB Obligation Payable	5,705,530	182,063	5,887,593
Bonds and Leases Payable	9,055,509	1,020,000	10,075,509
Total noncurrent liabilities	15,170,348	1,243,721	16,414,069
<b>Total Liabilities</b>	<b>17,861,777</b>	<b>1,447,621</b>	<b>19,309,398</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, net of related debt	17,401,411	3,272,435	20,673,846
Restricted for:			
Capital Projects	197,530	49,154	246,684
Federal & State Grants	1,100,003	-	1,100,003
Permanent Funds:			
Expendable	74,292	-	74,292
Nonexpendable	138,228	-	138,228
Other Purposes	644,271	-	644,271
Unrestricted	(2,332,368)	284,623	(2,047,745)
<b>Total Net Assets</b>	<b>\$ 17,223,367</b>	<b>\$ 3,606,212</b>	<b>\$ 20,829,579</b>

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

**TOWN OF WARE, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$ 1,918,406	\$ 222,006	\$ 473,873	
Public Safety	3,367,792	799,327	178,538	200,000
Public Works	1,540,079	10,517	29,506	643,842
Education	15,115,436	285,222	10,590,762	-
Health and Human Services	1,404,099	33,559	919,401	-
Culture and Recreation	452,829	47,758	24,964	-
Employee Benefits and Insurance	8,515,922	-	2,142,317	-
State Assessments	1,585,808	-	-	-
Interest	412,410	-	269,895	-
<b>Total Governmental Activities</b>	<b>34,312,781</b>	<b>1,398,389</b>	<b>14,629,256</b>	<b>843,842</b>
<b>Business-Type Activities:</b>				
Water	713,396	1,003,330	327	-
Sewer	655,813	834,326	180	-
<b>Total Primary Government</b>	<b>\$ 35,681,990</b>	<b>\$ 3,236,045</b>	<b>\$ 14,629,763</b>	<b>\$ 843,842</b>

**General Revenues:**

Property taxes	
Motor vehicle excise and other taxes	
Penalties & Interest on taxes	
Grants & Contributions not restricted to specific programs	
Unrestricted investment income	
Miscellaneous	
<b>Contributions to permanent funds</b>	
<b>Transfers, net</b>	

**Total General Revenues, Contributions and Transfers**

**Change in Net Assets**

**Net Assets:**

Beginning of year	
End of year	

**Net (Expenses) Revenues and Changes in Net Assets**

	Governmental Activities	Business-Type Activities	Total
\$	(1,222,527)	\$ -	\$ (1,222,527)
	(2,189,927)	-	(2,189,927)
	(856,214)	-	(856,214)
	(4,239,452)	-	(4,239,452)
	(451,139)	-	(451,139)
	(380,107)	-	(380,107)
	(6,373,605)	-	(6,373,605)
	(1,585,808)	-	(1,585,808)
	(142,515)	-	(142,515)
	(17,441,294)	-	(17,441,294)
		290,261	290,261
		178,693	178,693
	(17,441,294)	\$ 468,954	\$ (16,972,340)
	11,609,456	-	11,609,456
	825,499	-	825,499
	71,499	-	71,499
	1,839,524	-	1,839,524
	17,827	-	17,827
	1,598	-	1,598
	900	-	900
	(3,137,258)	3,137,258	-
	11,229,045	3,137,258	14,366,303
	(6,212,249)	3,606,212	(2,606,037)
	23,435,616	-	23,435,616
\$	17,223,367	\$ 3,606,212	\$ 20,829,579

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

**TOWN OF WARE MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,994,438	\$ 887,940	\$ 3,882,378
Investments	299,331	234,354	533,685
Cash in Custody of Others	-	208,048	208,048
Receivables, net of allowance for uncollectibles:			
Property Taxes	350,717	-	350,717
Tax Liens	288,958	-	288,958
Tax Possessions	427,248	-	427,248
Excise Taxes	130,080	-	130,080
Departmental	-	122,619	122,619
Due from Other Governments	6,274,246	977,998	7,252,244
<b>Total Assets</b>	<b>\$ 10,765,018</b>	<b>\$ 2,430,959</b>	<b>\$ 13,195,977</b>
<b>LIABILITIES AND FUND BALANCE:</b>			
<b>Liabilities:</b>			
Warrants Payable	\$ 552,113	\$ 56,681	\$ 608,794
Accrued Payroll	110,821	22,056	132,877
Payroll Withholdings	102,868	-	102,868
Taxes Collected in Advance	114,533	-	114,533
Other	3,066	-	3,066
Deferred Revenue:			
Property Taxes	288,717	-	288,717
Other	7,088,255	682,011	7,770,266
<b>Total Liabilities</b>	<b>8,260,373</b>	<b>760,748</b>	<b>9,021,121</b>
<b>Fund Balance:</b>			
Nonspendable	-	138,228	138,228
Restricted	-	1,442,163	1,442,163
Committed	-	89,820	89,820
Assigned	790,326	-	790,326
Unassigned	1,714,319	-	1,714,319
<b>Total Fund Balance</b>	<b>2,504,645</b>	<b>1,670,211</b>	<b>4,174,856</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 10,765,018</b>	<b>\$ 2,430,959</b>	<b>\$ 13,195,977</b>

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

**TOWN OF WARE, MASSACHUSETTS  
STATEMENT OF REVENUES, EXPENDITURES AND  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property Taxes	\$ 11,474,399	\$ -	\$ 11,474,399
Intergovernmental	11,322,998	4,326,531	15,649,529
Excise and Other Taxes	831,223	-	831,223
Licenses, Permits, Fees	395,936	-	395,936
Charges for Services	-	993,851	993,851
Interest on Taxes	71,499	-	71,499
Investment Income	17,827	4,978	22,805
Gifts and Donations	-	72,020	72,020
Other	-	65,562	65,562
Intergovernmental - "On-behalf" Payments	2,168,836	-	2,168,836
<b>Total Revenues</b>	<b>26,282,718</b>	<b>5,462,942</b>	<b>31,745,660</b>
<b>Expenditures:</b>			
Current:			
General Government	1,430,049	487,495	1,917,544
Public Safety	3,309,409	345,566	3,654,975
Public Works	1,016,973	467,748	1,484,721
Education	11,398,339	2,901,845	14,300,184
Health and Human Services	567,311	753,483	1,320,794
Culture and Recreation	358,138	66,774	424,912
Employee Benefits and Insurance	6,646,441	-	6,646,441
State Assessments	1,585,808	-	1,585,808
Debt Service:			
Principal	1,347,006	5,625	1,352,631
Interest	447,774	494	448,268
<b>Total Expenditures</b>	<b>28,107,248</b>	<b>5,029,030</b>	<b>33,136,278</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,824,530)</b>	<b>433,912</b>	<b>(1,390,618)</b>
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	782,316	7,459	789,775
Operating Transfers Out	(7,459)	(666,101)	(673,560)
Proceeds from Issuance of Bonds	-	231,250	231,250
Capital Lease	247,131	-	247,131
<b>Total Other Financing Sources (Uses)</b>	<b>1,021,988</b>	<b>(427,392)</b>	<b>594,596</b>
<b>Net Change in Fund Balances</b>	<b>(802,542)</b>	<b>6,520</b>	<b>(796,022)</b>
<b>Fund Balances, Beginning of Year</b>	<b>3,307,187</b>	<b>1,663,691</b>	<b>4,970,878</b>
<b>Fund Balances, End of Year</b>	<b>\$ 2,504,645</b>	<b>\$ 1,670,211</b>	<b>\$ 4,174,856</b>

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

**TOWN OF WARE MASSACHUSETTS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**Total Fund Balances to the Statement of Net Assets**  
**For the Year Ended June 30, 2011**

<b>Total Governmental Fund Balances</b>			\$ 4,174,856
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			21,788,493
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			8,159,657
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:			
Bonds and Leases Payable	\$ (10,548,619)		
Other Post Employment Benefits Payable	(5,705,530)		
Compensated Absences	<u>(506,492)</u>	(16,760,641)	
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.			<u>(138,998)</u>
<b>Net Assets of Governmental Activities</b>			<u><u>\$ 17,223,367</u></u>

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

**TOWN OF WARE MASSACHUSETTS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2011**

**Net Change in Fund Balances - Total Governmental Funds** **\$ (796,022)**

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	\$ 552,311	
Transfer of Capital Assets to Water and Sewer Funds	(4,536,580)	
Depreciation	<u>(1,359,803)</u>	(5,344,072)

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. (705,490)

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	1,438,580	
Transfer of Debt to Water and Sewer	1,292,000	
Proceeds from Capital Lease	(247,131)	
Proceeds from Bonds and Notes	<u>(231,250)</u>	2,252,199

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	79,070	
Net Change in Other Post Employment Benefits	(1,733,791)	
Net Change in Accrued Interest on Long-Term Debt	<u>35,857</u>	(1,618,864)

**Change in Net Assets of Governmental Activities** **\$ (6,212,249)**

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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Carried</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>	<u>Basis</u>	<u>Forward</u>	<u>Positive</u>
				<u>to Next Year</u>	<u>(Negative)</u>
<b>Revenues:</b>					
Property Taxes	\$ 11,455,550	\$ 11,449,099	\$ 11,448,149	\$ -	\$ (950)
Intergovernmental	10,924,185	10,924,185	11,322,998	-	398,813
Excise and Other Taxes	849,000	849,000	831,223	-	(17,777)
Licenses, Permits, Fees	361,150	361,150	395,936	-	34,786
Interest on Taxes	60,000	60,000	71,499	-	11,499
Interest on Investments	11,000	11,000	8,048	-	(2,952)
<b>Total Revenues</b>	<b>23,660,885</b>	<b>23,654,434</b>	<b>24,077,853</b>	<b>-</b>	<b>423,419</b>
<b>Expenditures:</b>					
Current:					
General Government	1,239,074	1,601,563	1,430,049	120,215	51,299
Public Safety	2,933,240	3,108,240	3,062,278	2,456	43,506
Public Works	902,153	923,153	1,016,973	16,844	(110,664)
Education	11,455,554	11,472,604	11,398,339	45,525	28,740
Health and Human Services	473,138	623,138	567,311	44,452	11,375
Culture and Recreation	389,143	389,143	358,138	4,773	26,232
Employee Benefits and Insurance	4,634,761	4,634,761	4,504,124	-	130,637
State Assessments	1,444,653	1,444,653	1,585,808	-	(141,155)
Debt Service:					
Principal	1,339,293	1,339,293	1,333,667	-	5,626
Interest	453,714	453,714	434,594	-	19,120
<b>Total Expenditures</b>	<b>25,264,723</b>	<b>25,990,262</b>	<b>25,691,281</b>	<b>234,265</b>	<b>64,716</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,603,838)</b>	<b>(2,335,828)</b>	<b>(1,613,428)</b>	<b>(234,265)</b>	<b>488,135</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In (Out)	674,441	830,441	857,857	-	27,416
<b>Total Other Financing Sources (Uses)</b>	<b>674,441</b>	<b>830,441</b>	<b>857,857</b>	<b>-</b>	<b>27,416</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(929,397)</b>	<b>(1,505,387)</b>	<b>(755,571)</b>	<b>(234,265)</b>	<b>515,551</b>
<b>Budgetary Fund Balance - Beginning of Year</b>	<b>2,569,691</b>	<b>2,569,691</b>	<b>2,569,691</b>	<b>-</b>	<b>-</b>
<b>Budgetary Fund Balance - End of Year</b>	<b>\$ 1,640,294</b>	<b>\$ 1,064,304</b>	<b>\$ 1,814,120</b>	<b>\$ (234,265)</b>	<b>\$ 515,551</b>

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

**TOWN OF WARE MASSACHUSETTS**  
**Reconciliation of Revenues and Expenditures**  
**from Budgetary Basis to GAAP Basis**  
**For the Year Ended June 30, 2011**

	<u>Revenues</u>	<u>Expenditures</u>
<b>Reported on a Budgetary Basis</b>	\$ 24,077,853	\$ 25,691,281
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	9,779	-
Net Increase in Revenue from recording Refund Taxes Payable	34,500	-
Recognition of Intergovernmental Revenue - "on behalf payments"	2,168,836	-
Recognition of Expenditures - "on behalf payments"	-	2,168,836
Net Decrease in Revenue from Recording 60-Day Receipts	(8,250)	-
Capital Leases	-	247,131
<b>Reported on a GAAP Basis</b>	<u>\$ 26,282,718</u>	<u>\$ 28,107,248</u>

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



**TOWN OF WARE MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

		Business-Type Activities Enterprise Funds		
		Water Fund	Sewer Fund	Total
<b>ASSETS</b>				
CURRENT:				
Cash and Cash Equivalents	\$	300,678	\$ 119,441	\$ 420,119
User Charges, net of allowance for uncollectibles		110,670	100,609	211,279
Total current assets		411,348	220,050	631,398
NONCURRENT:				
Capital Assets, net of accumulated Depreciation				
Non-depreciable		326,700	66,700	393,400
Depreciable		3,506,904	522,131	4,029,035
Total noncurrent assets		3,833,604	588,831	4,422,435
<b>Total Assets</b>		<b>4,244,952</b>	<b>808,881</b>	<b>5,053,833</b>
<b>LIABILITIES</b>				
CURRENT:				
Warrants Payable		10,680	24,639	35,319
Accrued Payroll		4,639	3,827	8,466
Accrued Interest		14,176	325	14,501
Compensated Absences		12,172	3,442	15,614
Bonds Payable		128,300	1,700	130,000
Total current liabilities		169,967	33,933	203,900
NONCURRENT:				
Compensated Absences		25,457	16,201	41,658
OPEB Obligation Payable		96,858	85,205	182,063
Bonds Payable		992,800	27,200	1,020,000
Total noncurrent liabilities		1,115,115	128,606	1,243,721
<b>Total Liabilities</b>		<b>1,285,082</b>	<b>162,539</b>	<b>1,447,621</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets, net of related debt		2,712,504	559,931	3,272,435
Restricted for Capital		49,154	-	49,154
Unrestricted		198,212	86,411	284,623
<b>Total Net Assets</b>	<b>\$</b>	<b>2,959,870</b>	<b>\$ 646,342</b>	<b>\$ 3,606,212</b>

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

**TOWN OF WARE MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Business-Type Activities Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Charges for Services	\$ 990,888	\$ 831,081	\$ 1,821,969
Other	12,442	3,245	15,687
<b>Total Operating Revenues</b>	<b>1,003,330</b>	<b>834,326</b>	<b>1,837,656</b>
<b>Operating Expenses:</b>			
Salaries & Wages	245,728	190,183	435,911
Operating Expenses	304,753	448,360	753,113
Depreciation	98,661	15,484	114,145
<b>Total Operating Expenses</b>	<b>649,142</b>	<b>654,027</b>	<b>1,303,169</b>
<b>Operating Income (Loss)</b>	<b>354,188</b>	<b>180,299</b>	<b>534,487</b>
<b>Non-Operating Revenues (Expenses):</b>			
Investment Income	327	180	507
Interest Expense	(64,254)	(1,786)	(66,040)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(63,927)</b>	<b>(1,606)</b>	<b>(65,533)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>290,261</b>	<b>178,693</b>	<b>468,954</b>
<b>Operating Transfers:</b>			
Transfer In (Out)	2,669,609	467,649	3,137,258
<b>Total Operating Transfers</b>	<b>2,669,609</b>	<b>467,649</b>	<b>3,137,258</b>
<b>Change in Net Assets</b>	<b>2,959,870</b>	<b>646,342</b>	<b>3,606,212</b>
<b>Net Assets at Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets at End of Year</b>	<b>\$ 2,959,870</b>	<b>\$ 646,342</b>	<b>\$ 3,606,212</b>

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

**TOWN OF WARE MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Receipts from Customers and Users	\$ 994,018	\$ 814,292	\$ 1,808,310
Receipts from Other Revenues	12,442	3,245	15,687
Payments to Vendors	(269,402)	(402,019)	(671,421)
Payments to Employees	(235,601)	(187,609)	(423,210)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>501,457</b>	<b>227,909</b>	<b>729,366</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers from (to) Other Funds	(22,728)	(93,487)	(116,215)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(22,728)</b>	<b>(93,487)</b>	<b>(116,215)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Principal Payments on Bonds and Notes	(128,300)	(13,700)	(142,000)
Interest Expense	(50,078)	(1,461)	(51,539)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(178,378)</b>	<b>(15,161)</b>	<b>(193,539)</b>
<b>Cash Flows from Investing Activities:</b>			
Investment Income	327	180	507
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>327</b>	<b>180</b>	<b>507</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>300,678</b>	<b>119,441</b>	<b>420,119</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 300,678</b>	<b>\$ 119,441</b>	<b>\$ 420,119</b>

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

<b>Operating Income (Loss)</b>	<b>\$ 354,188</b>	<b>\$ 180,299</b>	<b>\$ 534,487</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>			
Depreciation	98,661	15,484	114,145
Change in Assets and Liabilities:			
Increase (Decrease) in Warrants Payable	10,680	24,639	35,319
Increase (Decrease) in Accrued Payroll	4,639	3,827	8,466
Increase (Decrease) in Compensated Absences	5,488	(1,253)	4,235
Increase (Decrease) in OPEB Obligation Payable	24,671	21,702	46,373
Decrease (Increase) in User Charges	3,130	(16,789)	(13,659)
<b>Total Adjustments</b>	<b>147,269</b>	<b>47,610</b>	<b>194,879</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 501,457</b>	<b>\$ 227,909</b>	<b>\$ 729,366</b>

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, 2011**

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 61,832	\$ 150,211
Investments	194,610	-
<b>Total Assets</b>	<b>256,442</b>	<b>150,211</b>
<b>LIABILITIES</b>		
Due to Students Groups	-	66,689
Escrows and Deposits	-	83,522
<b>Total Liabilities</b>	<b>-</b>	<b>150,211</b>
<b>NET ASSETS:</b>		
Held in Trust for Scholarships and Other Purposes	<b>\$ 256,442</b>	<b>\$ -</b>

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, 2011**

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Investment Income:	
Interest & Dividends	\$ 4,442
<b>Total Additions</b>	<u>4,442</u>
<b>Deductions:</b>	
Educational Scholarships	<u>6,777</u>
<b>Total Deductions</b>	<u>6,777</u>
<b>Change in Net Assets</b>	<u>(2,335)</u>
<b>Net Assets at Beginning of Year</b>	<u>258,777</u>
<b>Net Assets at End of Year</b>	<u><u>\$ 256,442</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, 2011**

**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 2011, it was determined that no entities met the required GASB 14 and 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.

**B. Implementation of New Accounting Principle**

In fiscal year 2011, the Town adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Town is bound to honor constraints on specific purposes for which amounts in the funds may be spent. Application of the Statement requires the Town to classify and

**TOWN OF WARE, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

report amounts in the appropriate fund balance classifications. The Town's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned or unassigned.

**C. Government-Wide and Fund Financial Statements**

**Government-wide 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*.

**Fund financial statements**

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.

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

**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.

**TOWN OF WARE, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-wide financial statements**

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.

**Fund financial statements**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis 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 liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary funds:

- The *sewer fund* is used to account for sewer activities.
- The *water fund* is used to account for water activities.

Additionally, the Town reports the following fund types:

- *Fiduciary fund* financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs.
  - The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and



**TOWN OF WARE, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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 funds types:

- The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
- The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).
- The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

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

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

#### **E. 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

**TOWN OF WARE, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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).

**F. 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.

**G. 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, 2010 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied. The Town mailed preliminary tax bills for the fiscal year 2011 on June 29, 2010, that were due on August 2, 2010 and November 1, 2010 and actual bills on December 27, 2010 that were due on February 1, 2011 and May 2, 2011.

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 2011 is \$11,628,827 consisting of a base of \$11,485,113 and a debt exclusion of \$143,714. The total amount raised by taxation was \$11,624,099.

**TOWN OF WARE, MASSACHUSETTS**  
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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 receivable is considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

***Due from Other Governments***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

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

**H. 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

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**June 30, 2011**

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:

<b>Capital Asset Type</b>	<b>Years</b>
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.

**I. 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.

**J. 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.

**K. Net Assets and Fund Balances**

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

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.

**TOWN OF WARE, MASSACHUSETTS**  
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"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other purposes" represents restrictions placed on assets from outside parties.

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

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

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

- *Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.
- *Assigned fund balance.* This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.
- *Unassigned fund balance.* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

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

#### **L. 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.

#### **M. 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,

**TOWN OF WARE, MASSACHUSETTS**  
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certain employees are compensated for unused sick and vacation leave which is (subject to certain limitations) at their current rates of pay.

**N. Post Retirement Benefits**

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. 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 15%. The cost of providing health insurance is recognized in the general fund in the fiscal year paid.

**O. Use of Estimates**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

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

- Estimates are submitted by departments.
- 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.

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

**TOWN OF WARE, MASSACHUSETTS**  
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respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2011, the Town incurred a final budget deficit of \$1,505,387 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	\$ 1,368,640
Prior Year's Encumbrances	250,121
Reserved for Deficits	(113,374)
	<u>\$ 1,505,387</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, 2011 were \$4,929,564. Of these, \$2,332,416 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.

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.

**TOWN OF WARE, MASSACHUSETTS**  
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- 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, 2011, the Town had the following investments and maturities:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities:					
U. S. Treasury	\$ 49,676	\$ -	\$ 49,676	\$ -	\$ -
U. S. government agencies	267,404	-	101,495	130,687	35,222
Corporate bonds	53,617	10,113	43,504	-	-
Bond mutual funds	34,894	-	-	34,894	-
Money market mutual fund	71,481	71,481	-	-	-
	477,072	\$ 81,594	\$ 194,675	\$ 165,581	\$ 35,222
Other Investments:					
Certificates of deposit	251,223				
	\$ 728,295				

#### **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 \$728,295 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.

#### **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, 2011 is as follows:



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Related Debt Instruments	Fair Value	Moody's Quality Rating				Not Rated
		Aaa	Aa2	A2	B1	
Debt Securities:						
U. S. Treasury	\$ 49,676	\$ 49,676	\$ -	\$ -	\$ -	\$ -
U. S. government agencies	267,404	267,404	-	-	-	-
Corporate bond	53,617	-	21,679	21,825	10,113	-
Money market mutual fund	71,481	-	-	-	-	71,481
Bond mutual fund	34,894	34,894	-	-	-	-
	<u>\$ 477,072</u>	<u>\$ 351,974</u>	<u>\$ 21,679</u>	<u>\$ 21,825</u>	<u>\$ 10,113</u>	<u>\$ 71,481</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 National Mortgage Association and Federal Home Loan Bank amounting to 28.31% and 6.92%, 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, 2011, 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
<b>Major and nonmajor governmental funds:</b>			
Property taxes	\$ 357,941	\$ (7,224)	\$ 350,717
Tax liens	288,958	-	288,958
Tax possessions	427,248	-	427,248
Excise taxes	163,675	(33,595)	130,080
Departmental	141,891	(19,272)	122,619
Due from other governments	7,252,244	-	7,252,244
	<u>\$ 8,631,957</u>	<u>\$ (60,091)</u>	<u>\$ 8,571,866</u>

At June 30, 2011, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Sewer Fund:</b>			
User charges	\$ 101,609	\$ (1,000)	\$ 100,609
<b>Water Fund:</b>			
User charges	111,670	(1,000)	110,670
<b>Total business-type activities</b>	<u>\$ 213,279</u>	<u>\$ (2,000)</u>	<u>\$ 211,279</u>

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The composition of amounts due from other governments as of June 30, 2011 for governmental funds is as follows:

**Governmental Funds:**

**General Fund:**

***Commonwealth of Massachusetts:***

School Building Authority:

School building assistance - Capital portion \$ 6,060,863

Department of Veterans Services:

Veterans services 213,383 \$ 6,274,246

**Nonmajor Governmental Funds:**

***U. S. Department of Agriculture:***

School lunch 21,559

***U. S. Department of Education:***

School title grants 125,846

***U. S. Department of Homeland Security:***

Staffing for adequate fire and emergency response 46,417

***Commonwealth of Massachusetts:***

Department of Elementary and Secondary Education:

School Lunch 498

Executive Office of Public Safety and Homeland Security:

911 grant 606

Executive Office of Environmental Affairs:

Land grant 140,000

Department of Energy Resources:

Energy efficiency and conservation block grant 26,568

Massachusetts Highway Department:

Chapter 90 funded projects 590,413

***Collaborative for Ed Services:***

Early childhood 26,091 977,998  
\$ 7,252,244

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, 2011 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 \$62,000.

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

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**General Fund:**

Property taxes		\$	288,717
Tax liens and tax possessions	\$	716,206	
Excise taxes		130,080	
Due from other governments	<u>6,241,969</u>		<u>7,088,255</u>

**Nonmajor Governmental Funds:**

Departmental		108,078	
Due from other governments	<u>573,933</u>		<u>682,011</u>
		<u>\$</u>	<u>8,058,983</u>

**C. Capital Assets**

**Governmental Activities**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 2,787,501	\$ -	\$ (393,400)	\$ 2,394,101
Construction in progress	<u>540,960</u>	<u>201,425</u>	<u>(443,430)</u>	<u>298,955</u>
Total capital assets not being depreciated	<u>3,328,461</u>	<u>201,425</u>	<u>(836,830)</u>	<u>2,693,056</u>
Capital assets being depreciated:				
Buildings and Renovations	23,371,017	-	-	23,371,017
Machinery, equipment and other	4,559,496	350,886	(54,401)	4,855,981
Infrastructure	<u>10,275,644</u>	<u>443,430</u>	<u>(4,864,372)</u>	<u>5,854,702</u>
Total capital assets being depreciated	<u>38,206,157</u>	<u>794,316</u>	<u>(4,918,773)</u>	<u>34,081,700</u>
Less accumulated depreciation for:				
Buildings and Renovations	9,753,043	917,756	-	10,670,799
Machinery, equipment and other	2,752,399	264,762	(54,401)	2,962,760
Infrastructure	<u>1,896,611</u>	<u>177,285</u>	<u>(721,192)</u>	<u>1,352,704</u>
Total accumulated depreciation	<u>14,402,053</u>	<u>1,359,803</u>	<u>(775,593)</u>	<u>14,986,263</u>
Total capital assets being depreciated, net	<u>23,804,104</u>	<u>(565,487)</u>	<u>(4,143,180)</u>	<u>19,095,437</u>
Total governmental activities capital assets, net	<u>\$ 27,132,565</u>	<u>\$ (364,062)</u>	<u>\$ (4,980,010)</u>	<u>\$ 21,788,493</u>

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

**Governmental Activities:**

General government	\$	9,383
Public safety		208,451
Public works		211,561
Education		815,252
Health and Human Services		79,566
Culture and recreation		<u>35,590</u>
Total depreciation expense - governmental activities	<u>\$</u>	<u>1,359,803</u>

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**Business-type activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ -	\$ 393,400	\$ -	\$ 393,400
Capital assets being depreciated:				
Infrastructure	-	4,864,372	-	4,864,372
Total capital assets being depreciated	-	4,864,372	-	4,864,372
Less accumulated depreciation for:				
Infrastructure	-	721,192	114,145	835,337
Total accumulated depreciation	-	721,192	114,145	835,337
Total capital assets being depreciated, net	-	4,143,180	(114,145)	4,029,035
Total governmental activities capital assets, net	\$ -	\$ 4,536,580	\$ (114,145)	\$ 4,422,435

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

**Business-type Activities**

Water	\$ 98,661
Sewer	15,484
Total depreciation expense - business-type activities	<u>\$ 114,145</u>

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

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

Transfers Out:	Transfers In:		
	General fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 7,459	\$ 7,459
Nonmajor governmental funds	666,101	-	666,101
Business-type funds	116,215	-	116,215
Total transfers out	<u>\$ 782,316</u>	<u>\$ 7,459</u>	<u>\$ 789,775</u>

In the statement of activities, the transfers out of \$3,137,258 in the governmental funds include transfers of accounts to the business-type funds as a result of the adoption of enterprise funds in 2011.

**E. Leases**

The Town has entered into lease agreements as lessee for financing a fire administration vehicle and ambulance 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.

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purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, are as follows:

Year Ending June 30,	Governmental Activities
2012	\$ 64,127
2013	64,127
2014	64,127
2015	64,127
2016	29,336
2017-2018	58,672
Total minimum lease payments	\$ 344,516
Less: amount representing interest	(38,741)
Present value of minimum lease payments	<u>\$ 305,775</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.

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, 2010	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2011
<b>Bond Anticipation Notes:</b>						
Municipal purpose loan	1.10%	06/03/11	231,250	-	231,250	-

**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:

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	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2011
<b>Inside Debt:</b>					
Police Station	4.75%	09/08/00	09/08/19	500,000	\$ 225,000
Fire Department Equipment	4.82%	09/01/99	09/01/11	205,000	15,000
Land Acquisition	4.89%	09/01/99	09/01/14	110,000	20,000
PVPC-Brownfield Clean up	2.00%	07/01/06	07/01/14	200,000	134,134
Equipment - Fire Department and DPW	3.66%	03/15/08	03/15/22	980,000	740,000
Veteran's Park	3.68%	03/15/08	03/15/22	185,000	140,000
Town Hall Boiler Replacement	3.74%	03/15/08	03/15/25	87,000	70,000
Senior Center	3.78%	03/15/08	03/15/27	852,000	715,000
Road Repairs	3.67%	03/15/08	03/15/18	100,400	70,000
Landfill Capping - WPAT	N/A	12/09/98	08/01/18	906,800	405,100
Refunding Loan of 2011:					
Roof Replacement - Police	1.01%	06/03/11	06/01/12	54,305	54,305
Roof Replacement - Highway	1.01%	06/03/11	06/01/12	64,930	64,930
Departmental Equipment - Fire	1.01%	06/03/11	06/01/12	40,000	40,000
Road Reconstruction	1.01%	06/03/11	06/01/12	39,375	39,375
Total Inside Debt					<u>2,732,844</u>
<b>Outside Debt:</b>					
School Building Refunding	3.77%	12/15/05	09/01/18	8,640,000	<u>7,510,000</u>
Total Outside Debt					<u>7,510,000</u>
Total governmental type debt					<u><u>\$ 10,242,844</u></u>

**Future Debt Service**

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2011 are as follows:

	Governmental	Principal	Interest	Total
2012	\$	1,440,549	\$ 390,120	\$ 1,830,669
2013		1,194,396	364,479	1,558,875
2014		1,209,762	290,293	1,500,055
2015		1,236,737	236,918	1,473,655
2016		1,159,100	185,052	1,344,152
2017-2021		3,692,300	314,071	4,006,371
2022-2026		270,000	37,650	307,650
2027		40,000	1,600	41,600
	\$	<u>10,242,844</u>	\$ <u>1,820,183</u>	\$ <u>12,063,027</u>

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

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2011
<b>Sewer Fund:</b>					
<i>Inside Debt:</i>					
Municipal purpose loan of 2008:					
Sewer lines repairs	3.80%	03/15/08	03/15/28	\$ 33,600	<u>\$ 28,900</u>
<b>Water Fund:</b>					
<i>Outside Debt:</i>					
Municipal purpose loan of 2008:					
Water	4.93%	09/01/99	09/01/16	\$ 1,184,400	265,000
Municipal purpose loan of 2008:					
Water control facility	3.80%	03/15/08	03/15/28	\$ 831,000	715,000
Water line repairs	3.80%	03/15/08	03/15/28	\$ 167,000	<u>141,100</u>
Total Inside Debt					<u>1,121,100</u>
Total Business-type Debt					<u><u>\$ 1,150,000</u></u>

**Future Debt Service**

The annual principal and interest payments to retire all business-type general obligation long-term debt outstanding as of June 30, 2011, are as follows:

Business-Type	Principal	Interest	Total
2012	\$ 130,000	\$ 45,762	\$ 175,762
2013	95,000	41,041	136,041
2014	95,000	37,150	132,150
2015	95,000	32,424	127,424
2016	75,000	28,893	103,893
2017-2021	290,000	103,944	393,944
2022-2026	270,000	51,670	321,670
2027-2028	100,000	6,000	106,000
	<u>\$ 1,150,000</u>	<u>\$ 346,884</u>	<u>\$ 1,496,884</u>

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

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due within One Year
<b>Governmental activities:</b>					
<i><b>Bond Payable:</b></i>					
General obligation bonds	\$ 12,656,226	\$ 198,610	\$ 2,611,992	\$ 10,242,844	\$ 1,440,549
<i><b>Leases payable</b></i>	144,592	247,131	85,948	305,775	52,561
<i><b>OPEB obligation payable</b></i>	3,971,739	1,869,481	135,690	5,705,530	-
<i><b>Compensated absences</b></i>	585,562	23,164	102,234	506,492	97,183
Governmental activity					
Long-term liabilities	<u>\$ 17,358,119</u>	<u>\$ 2,338,386</u>	<u>\$ 2,935,864</u>	<u>\$ 16,760,641</u>	<u>\$ 1,590,293</u>
<b>Business type activities:</b>					
<i><b>Bond Payable:</b></i>					
General obligation bonds	\$ -	\$ 1,292,000	\$ 142,000	\$ 1,150,000	\$ 130,000
<i><b>OPEB obligation payable</b></i>	-	182,063	-	182,063	-
<i><b>Compensated absences</b></i>	-	57,273	-	57,273	15,614
Business-type activity					
Long-term liabilities	<u>\$ -</u>	<u>\$ 1,531,336</u>	<u>\$ 142,000</u>	<u>\$ 1,389,336</u>	<u>\$ 145,614</u>

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MW PAT) on a periodic basis. The gross amount outstanding at June 30, 2011 for principal and interest combined for the loan is \$506,388. The net repayments, including interest, are scheduled to be \$335,689. The principal subsidies are guaranteed and therefore an \$100,674 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 2011 principal and interest subsidies totaled \$26,519.

#### **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, 2011 totaled \$2,761,744.

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, 2011



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Equalized Valuation-Real Estate and Personal Property (2010)		\$ 836,750,100
Debt Limit: 5 % of Equalized value		<u>\$ 41,837,505</u>
Total Debt Outstanding	\$ 11,392,844	
Less: Debt Outside Debt Limit	<u>(8,631,100)</u>	<u>2,761,744</u>
Inside Debt Excess Borrowing Capacity at June 30, 2011		<u><u>\$ 39,075,761</u></u>

**Loans Authorized and Unissued - Memorandum Only**

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

Loan authorizations that have not been issued as of June 30, 2011 and are not reflected in the Town's financial statements are as follows:

<b>Date of Town Meeting Authorized</b>	<b>Purpose</b>	<b>Amount</b>
11/08/10	Construction of new fire station	\$ 1,000,000
11/08/10	Conservation restriction on Frohloff Farm Land Trust, Inc.	200,000
05/09/11	Disinfection upgrade at the wastewater treatment plant	80,000
05/09/11	Purchase and replace pumps at the wastewater treatment plant	100,000
		<u><u>\$ 1,380,000</u></u>

**TOWN OF WARE, MASSACHUSETTS**  
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**H. Fund Balances**

The following is a summary of the Governmental Fund fund balances of the Town ended June 30, 2011:

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable:			
Cemetery permanent funds	\$ -	\$ 138,228	\$ 138,228
Restricted:			
Federal, state and local grants	-	526,070	526,070
School revolving funds	-	434,139	434,139
Town revolving funds	-	52,676	52,676
Donations and gifts	-	80,200	80,200
Insurance reimbursements	-	39,766	39,766
Capital projects	-	197,530	197,530
Permanent funds	-	74,292	74,292
Other	-	37,490	37,490
	-	1,442,163	1,442,163
Committed:			
Ambulance	-	89,820	89,820
Assigned:			
General government	120,215	-	120,215
Public safety	2,456	-	2,456
Public works	16,844	-	16,844
Education	45,525	-	45,525
Health and human services	44,452	-	44,452
Culture and recreation	4,773	-	4,773
Fiscal year 2012 budget	556,061	-	556,061
	790,326	-	790,326
Unassigned:			
General Fund	1,714,319	-	1,714,319
Total Governmental Fund Balances	\$ 2,504,645	\$ 1,670,211	\$ 4,174,856

**I. 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

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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, 2011 the balance in the stabilization fund is \$628,525 and is reported in the General Fund as unassigned fund balance.

#### **4. OTHER INFORMATION**

##### **A. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies, which passes the risk of loss listed above to independent third parties.

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

##### **B. Contingent Liabilities**

###### **Litigation**

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2011, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2011.

###### **Federal Financial Assistance**

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

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

##### **C. Pension Plan**

###### **Plan Description**

The Town, 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 \$2,142,317 for the fiscal year ending June 30, 2011, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

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The Town has approximately 194 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.

**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, 2011, 2010 and 2009 is shown below, which equaled its required contribution for each fiscal year.

<b>Fiscal Year Ended June 30</b>	<b>Town's Contribution</b>
2011	\$ 1,076,820
2010	\$ 1,030,214
2009	\$ 1,048,149

The last actuarial valuation was prepared by the Segal Company as of January 1, 2010.

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 8.00% 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 \$133,017,109. The Town's portion of such liability is 8.08% or \$10,747,782.

**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.

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**D. Other Post Employment Benefits Payable**

**GASB Statement No. 45**

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

**Plan Description**

- 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 15%.
- An employee shall become eligible to retire under this plan upon meeting one of the following conditions:
  1. Completion of 20 years of service. Public safety employees (group 4) shall be able to retire with 20 years of service regardless of age.
  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 2011 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$891,364.

**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:

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Normal Cost	\$ 1,193,644
Amortization of unfunded actuarial accrued liability	1,675,554
Annual required contribution	2,869,198
Interest on net OPEB obligation	158,871
Adjustment to annual required contribution	(220,851)
Annual OPEB cost (expense)	2,807,218
Contributions made during the fiscal year	891,364
Increase in net OPEB obligation	1,915,854
Net OPEB Obligation - beginning of year	3,971,739
Net OPEB Obligation - end of year	<u>\$ 5,887,593</u>

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2011 fiscal year and the two preceding years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
06/30/09	\$ 3,095,121	36.4%	\$ 1,969,832
06/30/10	\$ 3,200,003	37.4%	\$ 3,971,739
06/30/11	\$ 2,807,218	31.8%	\$ 5,887,593

**Funded Status and Funding Process**

As of July 1, 2010, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$23,919,877, and the actuarial value of assets was 0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$23,919,877. As indicated in the actuarial valuation the covered payroll (annual payroll of active employees covered by the plan) was \$12,474,297 and the ratio of the UAAL to the covered payroll was 191.8%.

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.

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (A)</b>	<b>Actuarial Accrued Liability (AAL) Entry Aid (B)</b>	<b>Unfunded AAL (UAAL) (B-A)</b>	<b>Funded Ratio (A/B)</b>	<b>Covered Payroll (C)</b>	<b>UAAL as a Percentage of Covered Payroll ((B-A)/C)</b>
07/01/08	\$ -	\$ 30,126,469	\$ 30,126,469	0%	N/A	N/A
07/01/09	\$ -	\$ 31,536,276	\$ 31,536,276	0%	N/A	N/A
07/01/10	\$ -	\$ 23,919,877	\$ 23,919,877	0%	\$12,474,297	191.8%

**TOWN OF WARE, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**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:

<b>Year</b>	<b>Medical</b>	<b>Dental</b>
FY 2008	10.0%	8.5%
FY 2009	9.0%	8.0%
FY 2010	8.0%	7.5%
FY 2011	8.0%	7.0%
FY 2012	7.0%	6.5%
FY 2013	6.0%	6.0%
FY 2014	5.0%	5.5%
FY 2015	5.0%	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, 2011 is 27 years.

**5. RESTATEMENT**

As required by GASB Statement No. 54, fund balances as of June 30, 2010, have been restated. The beginning fund balance of the General fund increased by \$701,746 to \$3,307,187 to reflect the stabilization fund in the General fund and the beginning fund balance of the stabilization fund (a prior major fund) was decreased by \$701,746.

## **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, 2011**

	Fund Balances July 1, 2010	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2011
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
School Grants	\$ 181,491	\$ 1,503,577	\$ 1,518,121	\$ (5,668)	\$ 161,279
Arts Lottery Council Grant	4,384	3,940	5,102	-	3,222
Board of Health Emergency Preparedness Grant	19,541	2,900	12,247	-	10,194
Community Development Block Grants	237,737	1,170,940	1,105,605	-	303,072
Council on Aging Grants	(2,603)	15,672	16,089	1,694	(1,326)
E.E.C.B.G. American Recovery and Reinvestment Act	26,568	26,569	53,137	-	-
Extended Polling Hours	-	1,947	1,947	-	-
Greenways Trails Grant	(5,711)	-	-	5,711	-
Highway Grants	-	257,050	257,050	-	-
Land Grants	-	200,000	200,000	-	-
Library Grants	12,236	11,614	12,236	-	11,614
Other Grants and Programs	515	-	-	-	515
Public Safety Grants	16,168	171,411	173,756	-	13,823
<b>Schools:</b>					
School Lunch Revolving	44,752	550,716	519,912	-	75,556
School Lunch Commodities	-	25,303	25,303	-	-
School Choice	421,063	227,197	334,402	-	313,858
School Revolving Accounts	27,563	90,328	73,166	-	44,725
State Special Education Reimbursement Fund	227,579	219,424	423,327	-	23,676
<b>Other:</b>					
Ambulance	160,249	540,796	-	(611,225)	89,820
Council on Aging Center Rental Revolving	4,245	800	316	-	4,729
Drug Forfeiture	4,338	431	1,040	-	3,729
Gifts and Donations	89,217	72,034	81,053	-	80,198
Insurance Reimbursements	5,166	34,600	-	-	39,766
Police Outside Duty	-	65,485	65,485	-	-
Recreation Revolving	4,698	31,939	27,738	-	8,899
Sale of Cemetery Lots	3,498	3,491	-	-	6,989
School Rail Fund	2,786	11	-	-	2,797
Septic Repair Loan Repayments	38,942	7	-	-	38,949
<b>Subtotal</b>	<b>\$ 1,524,422</b>	<b>\$ 5,228,182</b>	<b>\$ 4,907,032</b>	<b>\$ (609,488)</b>	<b>\$ 1,236,084</b>

**TOWN OF WARE, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Fund Balances July 1, 2010	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2011
	\$ 1,524,422	\$ 5,228,182	\$ 4,907,032	\$ (609,488)	\$ 1,236,084
<b>Continued from page 46</b>					
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
SPC Fines, Chapter 304	-	100	-	-	100
Water/Sewer Development	18,557	74	-	-	18,631
Municipal Insurance Fund	5,251	95	-	-	5,346
<b>Total Special Revenue Funds</b>	<b>1,548,230</b>	<b>5,228,451</b>	<b>4,907,032</b>	<b>(609,488)</b>	<b>1,260,161</b>
<b>Capital Projects:</b>					
Brownfields Project	8,025	-	6,636	-	1,389
Chlorination/Construction Facility	47,815	-	-	(47,815)	-
Dechlorination Project	1,339	-	-	(1,339)	-
Department of Public Works Roof	(68,749)	-	-	68,750	1
Fire Station		200,000	77,770	-	122,230
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	80	-	-	9,219
Snows Pond Dam Construction	13,310	-	-	-	13,310
South Street Construction	12,661	-	-	-	12,661
Underground Storage Tank Removal School	5,806	-	-	-	5,806
<b>Total Capital Projects</b>	<b>(100,240)</b>	<b>200,080</b>	<b>84,406</b>	<b>182,096</b>	<b>197,530</b>

**TOWN OF WARE, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Fund Balances July 1, 2010	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2011
<b>Perpetual Permanent Funds:</b>					
Cemetery Perpetual Care Funds:					
Aspen Grove Fund	\$ 116,727	\$ 900	\$ -	\$ -	\$ 117,627
George L. Draper Fund	10,000	-	-	-	10,000
Susan Connell Fund	4,000	-	-	-	4,000
Josephine Wood Fund	4,101	-	-	-	4,101
Mary Packard Fund	2,000	-	-	-	2,000
Donald Sherman Fund	500	-	-	-	500
<b>Total Perpetual Permanent Funds</b>	<b>137,328</b>	<b>900</b>	<b>-</b>	<b>-</b>	<b>138,228</b>
<b>Permanent Funds:</b>					
Cemetery Perpetual Care Funds:					
Aspen Grove Fund	634	3,969	3,502	161	1,262
George L. Draper Fund	(158)	184	-	(109)	(83)
Susan Connell Fund	185	87	-	(52)	220
Helen Handanian Fund	1,276	23	20	-	1,279
Reed Memorial Fund	2,300	5,231	3,160	-	4,371
Josephine Wood Fund	999	93	-	-	1,092
Mary Packard Fund	1,099	57	-	-	1,156
Donald Sherman Fund	1,124	32	483	-	673
Gilbert Grandville Park Fund	41,679	16,732	11,979	-	46,432
Reed Swimming Pool Fund	29,235	7,103	18,448	-	17,890
<b>Total Permanent Funds</b>	<b>78,373</b>	<b>33,511</b>	<b>37,592</b>	<b>-</b>	<b>74,292</b>
<b>Total - Non-Major Governmental Funds</b>	<b>\$ 1,663,691</b>	<b>\$ 5,462,942</b>	<b>\$ 5,029,030</b>	<b>\$ (427,392)</b>	<b>\$ 1,670,211</b>

**TOWN OF WARE, MASSACHUSETTS**  
**SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY, AND SUPPLEMENTAL TAXES**  
**JULY 1, 2010 TO JUNE 30, 2011**

	Uncollected Taxes July 1, 2010	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2011	Uncollected Taxes Per Detail June 30, 2011
<b>Real Estate Taxes:</b>						
Levy of 2011	\$ -	\$ 11,211,089	\$ 164,930	\$ 10,762,255	\$ 283,904	\$ 283,904
Levy of 2010	310,822	-	105,944	173,884	30,994	30,974
Levy of 2009	43,277	-	-	20,086	23,191	23,191
Levy of 2008	-	-	-	-	-	-
	354,099	11,211,089	270,874	10,956,225	338,089	338,069
<b>Personal Property Taxes:</b>						
Levy of 2011	-	413,255	-	408,696	4,559	4,559
Levy of 2010	2,778	-	-	(270)	3,048	3,048
Levy of 2009	2,707	-	-	112	2,595	2,595
Levy of 2008	436	-	-	-	436	436
Levy of 2007	367	-	-	-	367	367
Prior Years	5,594	-	-	63	5,531	5,531
	11,882	413,255	-	408,601	16,536	16,536
<b>Supplemental Taxes</b>	34	9,328	-	6,046	3,316	3,316
<b>Total Real Estate, Personal Property, and Supplemental Taxes</b>	\$ 366,015	\$ 11,633,672	\$ 270,874	\$ 11,370,872	\$ 357,941	\$ 357,921

**TOWN OF WARE, MASSACHUSETTS**  
**SCHEDULE OF MOTOR VEHICLE EXCISE, FARM ANIMAL EXCISE AND BOAT EXCISE TAXES**  
**JULY 1, 2010 TO JUNE 30, 2011**

	Uncollected Taxes July 1, 2010	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2011	Uncollected Taxes Per Detail June 30, 2011
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2011	\$ -	\$ 755,518	\$ 17,434	\$ 677,082	\$ 61,002	\$ 61,002
Levy of 2010	65,116	80,530	7,885	118,036	19,725	19,725
Levy of 2009	25,727	170	346	12,609	12,942	12,942
Levy of 2008	12,455	-	-	2,465	9,990	9,990
Levy of 2007	10,583	-	-	1,419	9,164	9,164
Prior Years	51,058	-	(64)	2,304	48,818	48,818
	<u>164,939</u>	<u>836,218</u>	<u>25,601</u>	<u>813,915</u>	<u>161,641</u>	<u>161,641</u>
<b>Farm Animal Excise Taxes</b>	<u>1,746</u>	<u>2,339</u>	<u>-</u>	<u>2,284</u>	<u>1,801</u>	<u>1,801</u>
<b>Boat Excise Taxes</b>	<u>218</u>	<u>2,971</u>	<u>50</u>	<u>2,906</u>	<u>233</u>	<u>243</u>
<b>Total Motor Vehicle Excise, Farm Animal Excise, and Boat Excise Taxes</b>	<u>\$ 166,903</u>	<u>\$ 841,528</u>	<u>\$ 25,651</u>	<u>\$ 819,105</u>	<u>\$ 163,675</u>	<u>\$ 163,685</u>

TOWN OF WARE, MASSACHUSETTS  
SCHEDULE OF TAX LIENS  
JULY 1, 2010 TO JUNE 30, 2011

	Uncollected Accounts July 1, 2010	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2011	Uncollected Accounts Per Detail June 30, 2011
<b>Tax Liens</b>	\$ 186,877	\$ 215,227	\$ 35,199	\$ 77,947	\$ 288,958	\$ 288,958

**TOWN OF WARE, MASSACHUSETTS**

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

**FOR THE YEAR ENDED JUNE 30, 2011**

<p style="text-align: center;"><b>TOWN OF WARE, MASSACHUSETTS</b> <b>SINGLE AUDIT</b> <b>TABLE OF CONTENTS</b></p>
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Board of Selectmen  
Town of Ware, Massachusetts

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the Town of Ware, Massachusetts, as of and for the year ended June 30, 2011, which collectively comprise the Town of Ware, Massachusetts' basic financial statements and have issued our report thereon dated March 23, 2012. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Ware, Massachusetts' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ware, Massachusetts' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Ware, Massachusetts' internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Ware, Massachusetts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Ware, Massachusetts in a separate letter dated March 23, 2012.

This report is intended solely for the information and use of management, the Board of Selectmen, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Scanlon & Associates, LLC  
South Deerfield, Massachusetts

March 23, 2012

**TOWN OF WARE, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
<b>U. S. Department of Agriculture</b>			
Passed Through Commonwealth of Massachusetts			
Department of Elementary and Secondary Education:			
Child Nutrition Cluster:			
School Breakfast Program	08-309	10.553	\$ 59,576
National School Lunch Program	08-309	10.555	250,815
Summer Food Service Program for Children	08-309	10.559	10,804
Total Child Nutrition Cluster			<u>321,195</u>
School Lunch Commodities	08-309	10.565	25,303
<b>Total U. S. Department of Agriculture</b>			<u>346,498</u>
<b>U. S. Department of Housing and Urban Development</b>			
Passed Through Commonwealth of Massachusetts			
Executive of Communities and Development:			
Passed Through to Pioneer Valley Planning Commission:			
Massachusetts Small Cities Program:			
Community Development Fund I - FY 2008	0572	14.228	8,492
Community Development Fund I - FY 2009	0588	14.228	481,551
Community Development Fund I - FY 2010	0638	14.228	71,132
Community Development Fund I - Ware River Valley - FY 2008	0567	14.228	2,292
Community Development Fund I - Ware River Valley - FY 2009	0589	14.228	372,725
Community Development Fund I - Ware River Valley - FY 2010	0639	14.228	349,731
Community Development Program Income		14.228	8,977
<b>Total U. S. Department of Housing and Urban Development</b>			<u>1,294,900</u>
<b>U. S. Department of Transportation</b>			
Passed Through Commonwealth of Massachusetts			
Executive Office of Public Safety:			
State and Community Highway Safety		20.600	2,800
Click It or Ticket			<u>2,800</u>
<b>Total U. S. Department of Justice</b>			
<b>U. S. Environmental Protection Agency</b>			
Passed Through Pioneer Valley Planning Commission:			
Brownfields Cleanup Revolving Loan Fund		66.818	6,636
<b>Total U. S. Environmental Protection Agency</b>			<u>6,636</u>
<b>U. S. Department of Energy</b>			
Passed Through Commonwealth of Massachusetts			
Department of Energy Resources:			
ARRA Energy Efficiency and Conservation Block Grant		81.128	53,137
<b>Total U. S. Department of Energy</b>			<u>53,137</u>
<b>TOTAL PAGE 1 OF 3</b>			<u>\$ 1,703,971</u>

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

**TOWN OF WARE, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
<b>U. S. Department of Education</b>			
Passed Through Commonwealth of Massachusetts			
Department of Elementary and Secondary Education:			
Title I, Part A Cluster:			
Title I - 2010	305-216-0-0309-K	84.010	\$ 52,921
Title I - 2010	305-386-0-0309-K	84.010	1,456
Title I - 2011	305-291-1-0309-L	84.010	288,981
Title I School Achievement - 2011	316-010-1-0309-L	84.010	3,095
Title I School Support - 2010	323-067-0-0309-K	84.010	1,549
Title I School Support - 2011	323-042-1-0309-L	84.010	6,251
ARRA Title I - 2011	770-258-1-0309-L	84.389	120,774
Total Title I, Part A Cluster			<u>475,027</u>
Special Education Cluster:			
Special Education PL 94-142 Allocation - 2010	240-205-0-0309-K	84.027	49,056
Special Education PL 94-142 Allocation - 2011	240-244-1-0309-L	84.027	336,898
ARRA IDEA - 2010	760-288-0-0309-K	84.391	2,943
ARRA IDEA - 2011	760-039-1-0309-L	84.391	233,755
Total Special Education Cluster, Elementary and Secondary Education			<u>622,652</u>
Safe and Drug Free Schools and Communities State Grants:			
Drug Free Schools - 2010	331-194-0-0309-K	84.186	778
Educational Technology State Grants:			
Enhanced Education Through Technology - 2010	160-208-0-0309-K	84.318	520
Enhanced Education Through Technology - 2010	160-244-0-0309-K	84.318	224
Total Educational Technology State Grants			<u>744</u>
Improving Teacher Quality State Grants:			
Teacher Quality - 2010	140-335-0-0309-K	84.367	14,470
Teacher Quality - 2010	140-377-0-0309-K	84.367	2,104
Teacher Quality - 2011	140-126-1-0309-L	84.367	77,985
Teacher Quality - 2011	140-379-1-0309-L	84.367	10,583
Level 3 Targeted Assistance - 2011	143-022-1-0309-L	84.367	9,735
Total Improving Teacher Quality State Grants			<u>114,877</u>
State Fiscal Stabilization Fund - Education State Grants, Recovery Act:			
ARRA Stabilization - 2011	780-275-1-0309-L	84.394	43,271
Education Jobs Fund:			
ARRA Education Jobs - 2011	206-197-1-0309-L	84.410	114,410
Passed Through Commonwealth of Massachusetts			
Department of Early Education and Care:			
Special Education Cluster:			
Special Education Early Childhood Allocation - 2010	EEC-262	84.173	777
Special Education Early Childhood Allocation - 2011	EEC-262	84.173	15,539
ARRA Early Childhood - 2011	EEC-762	84.392	7,550
Total Special Education Cluster, Early Education and Care			<u>23,866</u>
Passed Through Commonwealth of Massachusetts			
Executive Office of Public Safety and Homeland Security:			
ARRA Fire Services Staffing		84.397	11,741
<b>Total U. S. Department of Education</b>			<u>1,407,366</u>
<b>TOTAL PAGE 2 OF 3</b>			<u>\$ 1,407,366</u>

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

**TOWN OF WARE, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>Federal Grantor/Pass-Through Grantor/ Program Title</b>	<b>State/ Pass-Through Identification Number</b>	<b>Federal CFDA Number</b>	<b>Federal Awards Expended</b>
<b>U. S. Department of Health and Human Services</b>			
Passed Through Greater Springfield Senior Services: Special Programs for the Aging - Title III-B		93.044	\$ 1,325
Passed Through City of Easthampton, Massachusetts: Public Health Emergency Response		93.069	12,245
<b>Total U. S. Department of Health and Human Services</b>			<u>13,570</u>
<b>U. S. Department of Homeland Security</b>			
Direct Programs:			
Staffing for Adequate Fire and Emergency Response (SAFER) - Grant No. EMW-2009-FH-01038		97.083	91,110
ARRA Assistance to Firefighters Station Contruction Grants - Grant No. EMW-2009-FC-04293R		97.115	77,770
Passed Through Commonwealth of Massachusetts Emergency Management Agency: Disaster Grants Public Assistance - January 2011 Snow Storm		97.036	26,832
<b>Total U. S. Department of Homeland Security</b>			<u>195,712</u>
<b>TOTAL PAGE 3 OF 3</b>			209,282
<b>TOTAL PAGE 2 OF 3</b>			1,407,366
<b>TOTAL PAGE 1 OF 3</b>			1,703,971
<b>TOTAL FEDERAL AWARDS EXPENDED</b>			<u>\$ 3,320,619</u>

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

**TOWN OF WARE, MASSACHUSETTS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2011**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Town of Ware, Massachusetts, under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town of Ware, Massachusetts, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Ware, Massachusetts.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C - SUBRECIPIENTS**

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

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Amount Provided</b>
Community Development Block Grant	14.228	<u>\$ 176,297</u>
		<u>\$ 176,297</u>

**NOTE D – FOOD DISTRIBUTION**

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Board of Selectmen  
Town of Ware, Massachusetts

Compliance

We have audited the Town of Ware, Massachusetts' compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Ware, Massachusetts' major federal programs for the year ended June 30, 2011. The Town of Ware, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Ware, Massachusetts' management. Our responsibility is to express an opinion on the Town of Ware, Massachusetts' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Ware, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Ware, Massachusetts' compliance with those requirements.

As described in items 2011-1 and 2011-2 in the accompanying schedule of findings and questioned costs, the Town of Ware, Massachusetts did not comply with requirements regarding allowable costs/cost principles and reporting that are applicable to its Title I and Special Education clusters of programs. Compliance with such requirements is necessary, in our opinion for the Town of Ware, Massachusetts to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Ware, Massachusetts complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Town of Ware, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Ware, Massachusetts' internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our

opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Ware, Massachusetts' internal control over compliance.

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


Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ware, Massachusetts as of and for the year ended June 30, 2011, and have issued our report thereon dated March 23, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

The Town of Ware, Massachusetts' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Town of Ware, Massachusetts' responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Selectmen, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Scanlon & Associates, LLC  
South Deerfield, Massachusetts

March 23, 2012



**TOWN OF WARE, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	None Reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	Yes
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.228	U. S. Department of Housing and Urban Development - Community Development Block Grants/State's Program
Title I, Part A Cluster:	
84.010	U. S. Department of Education - Title I Grants to Local Educational Agencies
84.389	U. S. Department of Education - Title I Grants to Local Educational Agencies, Recovery Act
Special Education Cluster:	
84.027	U. S. Department of Education - Special Education Grants to States
84.173	U. S. Department of Education - Special Education Preschool Grants
84.391	U. S. Department of Education - Special Education Grants to States, Recovery Act
84.392	U. S. Department of Education - Special Education Preschool Grants, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	No

**Section II - Financial Statement Findings**

There are no financial statement findings reported.

**Section III - Federal Award Findings and Questioned Costs**

Non-compliance matters and significant deficiencies in internal control findings are reported as findings 2011-1 and 2011-2 on pages 10-11.

**Section IV - Prior Audit Findings**

Status of prior year audit findings are reported on page 12.

**TOWN OF WARE, MASSACHUSETTS  
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Finding 2011-1**

**Noncompliance/Significant Deficiency in Internal Control Over Compliance –  
Allowable Costs/Cost Principles – Massachusetts Teachers Retirement**

*U. S. Department of Education – Passed Through Commonwealth of  
Massachusetts Department of Elementary and Secondary Education and  
Department of Early Education and Care*

**Title I Grants to Local Educational Agencies (CFDA No. 84.010)  
Special Education Grants to States (CFDA No. 84.027)  
Special Education Preschool Grants (CFDA No. 84.173)**

**Criteria:**

School Departments in Massachusetts are required to pay to the Massachusetts Teachers Retirement System (MTRS) an amount equal to 9% of the total professional salaries paid from a Federal grant. The Massachusetts Department of Elementary and Secondary Education withholds 80% of the amount budgeted for the MTRS and pays the amount directly to MTRS. At the end of the grant period the School Department calculates the total amount of the teachers' retirement based on 9% of the actual teachers' and administrators' salaries charged to the grant and pays to MTRS the difference between the total and the amount paid directly.

**Condition:**

The Ware School Department completed the required MTRS Supplements to the Final Financial Reports to calculate the liability due to MTRS and included the amounts as expended on the Final Financial Reports. However, there was no evidence that the amounts due to MTRS had been paid on a warrant as of March 14, 2012.

**Questioned Costs:**

None noted.

**Cause:**

The administrators of the grants calculated the amounts due to MTRS correctly but failed to file the required reports and to pay the actual amount due in a timely manner.

**Effect:**

Amounts due to MTRS may be neglected and not paid due to oversight by the School Department's administration. Also, the amounts reported on the Final Financial Reports may be incorrectly stated if the MTRS payments are not properly remitted.

**Recommendation:**

The Ware School Department should file the required MTRS reports and pay the amounts due to MTRS promptly upon closing the grants and filing the Final Financial Reports.

**Management's Response:**

The district agrees with this finding and will ensure timely filing of MTRS Supplementals.

**TOWN OF WARE, MASSACHUSETTS  
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Finding 2011-2**

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

***U. S. Department of Education Grants – Passed Through Commonwealth of  
Massachusetts Department of Early Education and Care***

**Special Education Preschool Grants (CFDA No. 84.173)  
Special Education Preschool Grants, Recovery Act (CFDA No. 84.392)**

**Criteria:**

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

**Condition:**

The Ware School Department received an Early Childhood Special Education Grant and an IDEA-Early Childhood Special Education American Recovery and Reinvestment Act Grant, both with a grant period ending August 31, 2011. Final Financial Reports were required to be filed by October 31, 2011. The Ware School Department filed the Final Financial Reports for these grants on March 14, 2012.

**Questioned Costs:**

None noted.

**Cause:**

The School Department filed the final financial reports for Department of Elementary and Secondary Education grants within the required time period. However, the grants administrators did not file the final financial reports for the Department of Early Education and Care grants on time.

**Effect:**

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

**Recommendation:**

The School Department should monitor reporting of grants to assure that all Final Financial Reports are filed by the deadline.

**Management's Response:**

The district acknowledges that the reports were not filed timely and has developed a procedure to ensure timely filing with the grant program administrator.

**TOWN OF WARE, MASSACHUSETTS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Finding 2010-1: U. S. Department of Education Grants – Noncompliance and Significant Deficiency in Internal Control Over Compliance – Reporting Requirements**

**Prior Year Comment:**

The finding indicated that the Ware School Department filed Final Financial Reports late with the Massachusetts Department of Elementary and Secondary Education for three grants.

**Status:**

All Final Financial Reports were filed on time with the Massachusetts Department of Elementary and Secondary Education for FY 2011 grants. However, we noted that the Ware School Department filed Final Financial Reports late with the Massachusetts Department of Early Education and Care for two grants, as noted in current audit finding 2011-2.

**TOWN OF WARE, MASSACHUSETTS  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2011**

**Finding 2011-1**

The district will ensure timely filing of MTRS Supplementals.

**Finding 2011-2**

The district has developed a procedure to ensure timely filing with the grant program administrator.