

TOWN OF WARE, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2012

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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, 2012, 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2013, 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 10, 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 22, 2013

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, 2012.

Financial Highlights

- The Town's assets exceeded its liabilities by \$21,935,230 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$20,829,579 an increase of \$1,105,651 (5%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$3,525,036, a decrease of \$649,820 (16%)
- The General Fund's total fund balance increased \$388,777 (16%) to \$2,893,422. The ending General fund balance is 10% of revenues and transfers in and 10% of expenditures.
- The total bonds and leases payable at the end of the fiscal year were \$12,354,192, an increase from the previous year of \$655,573. This was mainly due to the Bond anticipation loans of \$888,973 due to the October 2011 snow storm emergency and \$1,000,000 for the fire station construction capital project.
- Total liabilities of the Town increased by \$4,152,249 (22%) to \$23,461,657 during the fiscal year. This net change resulted mainly from the increase in bonds and the increase in the OPEB liability of \$2,031,895.
- The Town had free cash certified by the Department of Revenue in the amount of \$1,265,764. The key factors that attributed to the free cash amount for fiscal year 2012 was as follows:
 - Unexpended/unencumbered appropriations \$332,092
 - Amount over/(under) budget – state and local receipts \$563,936

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

	Governmental Activities		
	2012	2011	Change
Assets:			
Current assets	\$ 10,971,755	\$ 8,088,930	\$ 2,882,825
Noncurrent assets (excluding capital assets)	4,237,206	5,207,721	(970,515)
Capital assets	24,863,166	21,788,493	3,074,673
Total assets	40,072,127	35,085,144	4,986,983
Liabilities:			
Current liabilities (excluding debt and leases)	2,707,591	1,198,319	1,509,272
Noncurrent liabilities (excluding debt and leases)	8,056,249	6,114,839	1,941,410
Current debt including leases	3,427,731	1,493,110	1,934,621
Noncurrent debt including leases	7,806,461	9,055,509	(1,249,048)
Total liabilities	21,998,032	17,861,777	4,136,255
Net Assets:			
Capital assets net of related debt	19,850,669	17,401,411	2,449,258
Restricted	2,550,310	2,154,324	395,986
Unrestricted	(4,326,884)	(2,332,368)	(1,994,516)
Total net assets	\$ 18,074,095	\$ 17,223,367	\$ 850,728

	Business-Type Activities		
	2012	2011	Change
Assets:			
Current assets	\$ 956,719	\$ 631,398	\$ 325,321
Capital assets	4,368,041	4,422,435	(54,394)
Total assets	5,324,760	5,053,833	270,927
Liabilities:			
Current liabilities (excluding debt)	72,517	73,900	(1,383)
Noncurrent liabilities (excluding debt)	271,108	223,721	47,387
Current debt	195,000	130,000	65,000
Noncurrent debt	925,000	1,020,000	(95,000)
Total liabilities	1,463,625	1,447,621	16,004
Net Assets:			
Capital assets net of related debt	3,348,041	3,272,435	75,606
Restricted	49,154	49,154	-
Unrestricted	463,940	284,623	179,317
Total net assets	\$ 3,861,135	\$ 3,606,212	\$ 254,923

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2012	2011	Change
Program Revenues:			
Charges for services	\$ 1,444,186	\$ 1,398,389	\$ 45,797
Operating grants and contributions	15,178,042	14,629,256	548,786
Capital grants and contributions	3,813,108	843,842	2,969,266
General Revenues:			
Property taxes	11,584,900	11,609,456	(24,556)
Motor vehicle excise and other taxes	853,929	825,499	28,430
Penalties and interest on taxes	86,318	71,499	14,819
Nonrestricted grants	1,839,510	1,839,524	(14)
Unrestricted investment income	15,150	17,827	(2,677)
Gain on Sale of Foreclosure Property	65,500	-	65,500
Miscellaneous	5,377	1,598	3,779
Total revenues	34,886,020	31,236,890	3,649,130
Expenses:			
General government	1,436,530	1,918,406	(481,876)
Public safety	3,544,192	3,367,792	176,400
Public works	2,215,156	1,540,079	675,077
Education	14,616,144	15,115,436	(499,292)
Health and human services	1,276,585	1,404,099	(127,514)
Culture and recreation	421,384	452,829	(31,445)
Employee benefits and insurance	8,871,852	8,515,922	355,930
State assessments	1,450,057	1,585,808	(135,751)
Interest	400,124	412,410	(12,286)
Total expenses	34,232,024	34,312,781	(80,757)
Contributions to permanent funds	1,680	900	780
Transfers, net	195,052	(3,137,258)	3,332,310
Change in net assets	850,728	(6,212,249)	7,062,977
Net assets - beginning of year	17,223,367	23,435,616	(6,212,249)
Net assets - end of year	\$ 18,074,095	\$ 17,223,367	\$ 850,728

	Business-Type Activities		
	2012	2011	Change
Program Revenues:			
Charges for services	\$ 1,842,033	\$ 1,837,656	\$ 4,377
Operating grants and contributions	25,371	507	24,864
Total revenues	1,867,404	1,838,163	29,241
Expenses:			
Water	709,744	713,396	3,652
Sewer	707,685	655,813	(51,872)
Total expenses	1,417,429	1,369,209	(48,220)
Transfers	(195,052)	3,137,258	(3,332,310)
Change in net assets	254,923	3,606,212	(3,351,289)
Net assets - beginning of year	3,606,212	-	3,606,212
Net assets - end of year	\$ 3,861,135	\$ 3,606,212	\$ 254,923

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 \$21,935,230 at the close of fiscal year 2012.

Net assets of \$23,198,710 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 \$2,599,464 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net assets* \$(3,862,944).

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 \$4,326,884 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 \$7,688,055.

The governmental activities net assets increased by \$850,728 during the current fiscal year. The significant reason for the decrease in net assets are attributed to the increase in the OPEB obligation of \$1,982,525 and an increase in invested fixed assets of \$3,816,945 (consisting of additions of \$6,687,345 less depreciation of \$2,870,400).

There was an increase of \$254,923 in net assets reported in the business-type activities. Of this, there was an increase of \$184,224 attributed to the water department and an increase of \$70,699 attributed to the sewer department.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$3,525,036 a decrease of \$649,820 (16%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance - \$139,908 (4%).
- Restricted fund balance - \$1,472,587 (42%).
- Committed fund balance - \$79,975 (2%).
- Assigned fund balance - \$696,051 (20%).
- Unassigned fund balance - \$1,136,515 (32%).

Major Governmental Funds

At the end of the fiscal year, the General Fund reported a total fund balance of \$2,893,422 increasing \$388,777 (16%) from the prior year. Of the \$2,893,422, the unassigned amount is \$2,197,371 (76%) and the assigned amount is \$696,051 (24%). General fund revenues were \$876,474 (3%) more than the prior fiscal year and expenditures decreased by \$493,871 (2%). Other activity in the General Fund consisted of net transfers from other funds of \$777,462 and the sale of foreclosure properties of \$65,500.

The main component of the increase in general fund revenues was related to property taxes increasing from the prior year in the amount of \$489,419 (4%).

Major changes of over 10% in general fund revenues as compared to the prior fiscal year are as follows:

- Increase in interest on taxes of \$14,819 (15%).
- Decrease in investment income of \$2,678 (15%).

Major changes of over 10% in the general fund expenditures as compared to the prior fiscal year are as follows:

- Decrease in general government expenditures of \$249,220 (17%).
- Decrease in public safety expenditures of \$319,502 (10%).
- Decrease in public works expenditures of \$137,345 (14%).
- Increase in health and human services expenditures of \$61,418 (11%).
- Decrease in interest on debt service expenditures of \$55,707 (12%).

The *Fire Station Construction Fund* is used to account for the building of a new public safety facility. The fund has a negative balance of \$964,864 at the end of the fiscal year.

The activity of the fund consisted of grant receipts of \$2,819,300 and expenditures of \$3,906,114. The fund ended fiscal year 2012 with a negative fund balance due to the fact that interim financing is being accomplished with bond anticipation notes. A total of \$1,000,000 in bond anticipation notes were outstanding. Permanent financing will be done once the project nears completion which will eliminate the deficit.

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 \$184,224 attributed to operating revenues exceeding operating costs by \$315,502, interest income of \$712, interest expense of \$42,876 and transfers to the general fund of \$89,114 for indirect costs.

The *Sewer Fund* is the financing and operations of the Town's sewer system. The sewer fund shows an increase of \$70,699 attributed to operating revenues exceeding current operating costs by \$177,462, interest income of \$285, interest expense of \$1,110 and transfers to the general fund of \$105,938 for indirect costs.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2012 was \$25,783,240. This was a decrease of \$207,022 (1%) over the previous year's budget.

There was an increase of \$335,901 between the original budget and the final amended budget. The change is attributed to monies voted from available funds at the special town meeting in December 2011 and May 2012 for various budget operating line items.

General fund expenditures were less than budgeted by \$534,949. Of the \$534,949 in under budget expenditures \$214,600 has been carried over to fiscal year 2013.

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, 2012 amounts to \$24,863,166 and \$4,368,041, 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:

- A police vehicle for \$27,738.
- Fire station brownfields project for \$1,390.
- New fire station construction for \$3,906,114.
- Streets and sidewalks for \$487,397.
- Memorial Field park improvements for \$21,515.

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

- Sewer influent pump improvements for \$59,750.

There were no major capital acquisitions during the current fiscal year in the water business-type activities.

Debt Administration. The Town's outstanding governmental debt, as of June 30, 2012, totaled \$8,967,005, of which \$6,540,000 is for the school project, \$200,000 is for the police station, \$356,000 is for landfill projects, \$680,000 for departmental equipment, \$15,000 for land acquisition, \$125,000 for veteran's park, \$65,000 town hall boiler replacement, \$670,000 for the senior center, \$111,295 for Brownfield clean-up, \$111,835 for roof replacements and \$92,875 for road improvements. The governmental activities also has bond and state anticipation notes outstanding for \$2,013,973 of which \$888,973 is for the October 2011 winter storm, \$1,000,000 is for the fire station construction and \$125,000 is for highway anticipated revenue from the Commonwealth.

The business-type activities have \$992,800 in water debt and \$27,200 in sewer debt. The sewer fund also has \$100,000 bond anticipation note for influent pump improvements.

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 \$280,389 on the leases consisting of \$253,214 in principal and \$27,175 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, 2012 do not reflect the fiscal year 2013 Town Meeting action. The Annual Town Meeting on May 14, 2012 authorized a fiscal year 2013 operating and capital budget as follows:

From the tax levy	\$ 23,859,134
From water revenues	789,265
From sewer revenues	781,998
From other available funds:	
General Fund:	
Unreserved fund balance - Free cash	481,451
Stabilization Fund:	44,246
Non-major Governmental Funds:	
Reserved for ambulance	37,993
Insurance Reimbursements	24,225
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	\$ 26,018,312
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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, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 5,222,888	\$ 706,717	\$ 5,929,605
Investments	545,538	-	545,538
Cash in Custody of Others	101,513	-	101,513
Receivables, net of allowance for uncollectibles:			
Property Taxes	236,345	-	236,345
Tax Liens	272,212	-	272,212
Tax Possessions	176,448	-	176,448
Excise Taxes	135,380	-	135,380
User Charges	-	250,002	250,002
Departmental	132,159	-	132,159
Due from Other Governments	4,149,272	-	4,149,272
Total current assets	10,971,755	956,719	11,928,474
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Due from Other Governments	4,237,206	-	4,237,206
Capital Assets, net of accumulated Depreciation:			
Non-depreciable	6,599,500	453,150	7,052,650
Depreciable	18,263,666	3,914,891	22,178,557
Total noncurrent assets	29,100,372	4,368,041	33,468,413
Total Assets	40,072,127	5,324,760	45,396,887
LIABILITIES			
CURRENT:			
Warrants and Accounts Payable	1,605,833	33,159	1,638,992
Accrued Payroll	601,339	7,948	609,287
Payroll Withholdings	48,222	-	48,222
Tax Refund Payable	41,400	-	41,400
Taxes Collected in Advance	158,231	-	158,231
Other	7,841	-	7,841
Accrued Interest	146,657	12,725	159,382
Compensated Absences	98,068	18,685	116,753
Bond and Grant Anticipation Notes Payable	2,013,973	100,000	2,113,973
Bonds and Leases Payable	1,413,758	95,000	1,508,758
Total current liabilities	6,135,322	267,517	6,402,839
NONCURRENT:			
Compensated Absences	368,194	39,675	407,869
OPEB Obligation Payable	7,688,055	231,433	7,919,488
Bonds and Leases Payable	7,806,461	925,000	8,731,461
Total noncurrent liabilities	15,862,710	1,196,108	17,058,818
Total Liabilities	21,998,032	1,463,625	23,461,657
NET ASSETS:			
Invested in Capital Assets, net of related debt	19,850,669	3,348,041	23,198,710
Restricted for:			
Capital Projects	108,565	49,154	157,719
Federal & State Grants	1,664,435	-	1,664,435
Permanent Funds:			
Expendable	79,984	-	79,984
Nonexpendable	139,908	-	139,908
Other Purposes	557,418	-	557,418
Unrestricted	(4,326,884)	463,940	(3,862,944)
Total Net Assets	\$ 18,074,095	\$ 3,861,135	\$ 21,935,230

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, 2012**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,436,530	\$ 189,648	\$ 230,214	\$ -
Public Safety	3,544,192	902,593	271,038	2,819,300
Public Works	2,215,156	10,656	933,549	993,808
Education	14,616,144	259,540	10,348,695	-
Health and Human Services	1,276,585	32,571	791,854	-
Culture and Recreation	421,384	49,178	26,738	-
Employee Benefits and Insurance	8,871,852	-	2,340,975	-
State Assessments	1,450,057	-	-	-
Interest	400,124	-	234,979	-
Total Governmental Activities	34,232,024	1,444,186	15,178,042	3,813,108
Business-Type Activities:				
Water	709,744	977,996	5,086	-
Sewer	707,685	864,037	20,285	-
Total Primary Government	\$ 35,649,453	\$ 3,286,219	\$ 15,203,413	\$ 3,813,108

General Revenues:

Property taxes	
Motor vehicle excise and other taxes	
Penalties & Interest on taxes	
Grants & Contributions not restricted to specific programs	
Unrestricted investment income	
Gain on Sale of Foreclosure Property	
Miscellaneous	
Contributions to permanent funds	
Transfers, net	

Total General Revenues, Contributions and Transfers

Change in Net Assets

Net Assets:

Beginning of year	
End of year	

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

Net (Expenses) Revenues and Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
\$	(1,016,668)	\$ -	\$ (1,016,668)
	448,739	-	448,739
	(277,143)	-	(277,143)
	(4,007,909)	-	(4,007,909)
	(452,160)	-	(452,160)
	(345,468)	-	(345,468)
	(6,530,877)	-	(6,530,877)
	(1,450,057)	-	(1,450,057)
	(165,145)	-	(165,145)
	(13,796,688)	-	(13,796,688)
	-	273,338	273,338
	-	176,637	176,637
	(13,796,688)	\$ 449,975	\$ (13,346,713)
	11,584,900	-	11,584,900
	853,929	-	853,929
	86,318	-	86,318
	1,839,510	-	1,839,510
	15,150	-	15,150
	65,500	-	65,500
	5,377	-	5,377
	1,680	-	1,680
	195,052	(195,052)	-
	14,647,416	(195,052)	14,452,364
	850,728	254,923	1,105,651
	17,223,367	3,606,212	20,829,579
\$	18,074,095	\$ 3,861,135	\$ 21,935,230

**TOWN OF WARE MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Fire Station Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 3,685,768	\$ 1,183,061	\$ 354,059	\$ 5,222,888
Investments	305,159		240,379	545,538
Cash in Custody of Others	-		101,513	101,513
Receivables, net of allowance for uncollectibles:				
Property Taxes	236,345		-	236,345
Tax Liens	272,212	-	-	272,212
Tax Possessions	176,448		-	176,448
Excise Taxes	135,380	-	-	135,380
Departmental	550	-	131,609	132,159
Due from Other Governments	5,435,836	-	2,864,929	8,300,765
Total Assets	\$ 10,247,698	\$ 1,183,061	\$ 3,692,489	\$ 15,123,248
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Warrants and Accounts Payable	\$ 427,949	\$ 1,147,645	\$ 30,239	\$ 1,605,833
Accrued Payroll	559,723	-	41,616	601,339
Payroll Withholdings	48,222	-	-	48,222
Tax Refund Payable	41,400	-	-	41,400
Taxes Collected in Advance	158,231	-	-	158,231
Other	7,841		-	7,841
Deferred Revenue:				
Property Taxes	177,345	-	-	177,345
Other	5,933,565	-	1,010,463	6,944,028
Bond and Grant Anticipation Notes Payable	-	1,000,000	1,013,973	2,013,973
Total Liabilities	7,354,276	2,147,645	2,096,291	11,598,212
Fund Balance:				
Nonspendable	-	-	139,908	139,908
Restricted	-	-	1,472,587	1,472,587
Committed	-	-	79,975	79,975
Assigned	696,051	-	-	696,051
Unassigned	2,197,371	(964,584)	(96,272)	1,136,515
Total Fund Balance	2,893,422	(964,584)	1,596,198	3,525,036
Total Liabilities and Fund Balance	\$ 10,247,698	\$ 1,183,061	\$ 3,692,489	\$ 15,123,248

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, 2012**

	General Fund	Fire Station Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 11,963,818	\$ -	\$ -	\$ 11,963,818
Intergovernmental	11,467,574	2,819,300	4,595,967	18,882,841
Excise and Other Taxes	853,729	-	-	853,729
Licenses, Permits, Fees	407,518	-	-	407,518
Charges for Services	-	-	1,072,488	1,072,488
Interest on Taxes	86,318	-	-	86,318
Investment Income	15,149	-	3,674	18,823
Gifts and Donations	-	-	68,338	68,338
Other	-	-	55,812	55,812
Intergovernmental - "On-behalf" Payments	2,365,086	-	-	2,365,086
Total Revenues	27,159,192	2,819,300	5,796,279	35,774,771
Expenditures:				
Current:				
General Government	1,180,829	-	246,070	1,426,899
Public Safety	2,989,907	3,906,114	443,870	7,339,891
Public Works	879,628	-	1,615,387	2,495,015
Education	11,592,944	-	2,210,439	13,803,383
Health and Human Services	628,729	-	566,577	1,195,306
Culture and Recreation	340,550	-	76,411	416,961
Employee Benefits and Insurance	6,889,327	-	-	6,889,327
State Assessments	1,450,057	-	-	1,450,057
Debt Service:				
Principal	1,269,339	-	6,500	1,275,839
Interest	392,067	-	398	392,465
Total Expenditures	27,613,377	3,906,114	5,165,652	36,685,143
Excess of Revenues Over (Under) Expenditures	(454,185)	(1,086,814)	630,627	(910,372)
Other Financing Sources (Uses):				
Operating Transfers In	777,462	-	-	777,462
Operating Transfers Out	-	-	(582,410)	(582,410)
Sale of Foreclosure Property	65,500	-	-	65,500
Total Other Financing Sources (Uses)	842,962	-	(582,410)	260,552
Net Change in Fund Balances	388,777	(1,086,814)	48,217	(649,820)
Fund Balances, Beginning of Year	2,504,645	122,230	1,547,981	4,174,856
Fund Balances, End of Year	\$ 2,893,422	\$ (964,584)	\$ 1,596,198	\$ 3,525,036

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, 2012

Total Governmental Fund Balances		\$ 3,525,036
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		24,863,166
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		7,207,086
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	\$ (9,220,219)	
Other Post Employment Benefits Payable	(7,688,055)	
Compensated Absences	<u>(466,262)</u>	(17,374,536)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.		<u>(146,657)</u>
Net Assets of Governmental Activities		<u><u>\$ 18,074,095</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, 2012

Net Change in Fund Balances - Total Governmental Funds **\$ (649,820)**

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	\$ 4,444,155	
Depreciation	<u>(1,369,482)</u>	3,074,673

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue and WPAT principal subsidy. (952,571)

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		1,328,400
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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	40,230	
Net Change in Other Post Employment Benefits	(1,982,525)	
Net Change in Accrued Interest on Long-Term Debt	<u>(7,659)</u>	<u>(1,949,954)</u>

Change in Net Assets of Governmental Activities **\$ 850,728**

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, 2012**

	Budgeted Amounts		Actual	Amounts	Variance with
	Original	Final	Budgetary	Carried	Final Budget
	Budget	Budget	Basis	Forward	Positive
				to Next Year	(Negative)
Revenues:					
Property Taxes	\$ 11,759,722	\$ 11,790,839	\$ 12,008,218	\$ -	\$ 217,379
Intergovernmental	11,092,952	11,092,952	11,467,574	-	374,622
Excise and Other Taxes	849,000	849,000	853,729	-	4,729
Licenses, Permits, Fees	359,650	359,650	407,518	-	47,868
Interest on Taxes	60,000	60,000	86,318	-	26,318
Interest on Investments	8,000	8,000	9,654	-	1,654
Total Revenues	24,129,324	24,160,441	24,833,011	-	672,570
Expenditures:					
Current:					
General Government	1,255,694	1,298,190	1,180,829	49,387	67,974
Public Safety	2,966,213	3,066,918	2,989,907	32,151	44,860
Public Works	894,342	924,342	879,628	41,189	3,525
Education	11,512,305	11,662,005	11,592,944	63,063	5,998
Health and Human Services	651,992	664,992	628,729	26,688	9,575
Culture and Recreation	357,335	357,335	340,550	2,064	14,721
Employee Benefits and Insurance	4,668,150	4,668,150	4,548,352	58	119,740
State Assessments	1,473,573	1,473,573	1,450,057	-	23,516
Debt Service:					
Principal	1,269,293	1,269,293	1,254,378	-	14,915
Interest	398,442	398,442	382,917	-	15,525
Total Expenditures	25,447,339	25,783,240	25,248,291	214,600	320,349
Excess of Revenues Over (Under) Expenditures	(1,318,015)	(1,622,799)	(415,280)	(214,600)	992,919
Other Financing Sources (Uses):					
Operating Transfers In (Out)	747,621	822,121	821,962	-	(159)
Sale of Foreclosure Property	-	-	65,500	-	65,500
Total Other Financing Sources (Uses)	747,621	822,121	887,462	-	65,341
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(570,394)	(800,678)	472,182	(214,600)	1,058,260
Budgetary Fund Balance - Beginning of Year	1,814,120	1,814,120	1,814,120	-	-
Budgetary Fund Balance - End of Year	\$ 1,243,726	\$ 1,013,442	\$ 2,286,302	\$ (214,600)	\$ 1,058,260

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, 2012

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 24,833,011	\$ 25,248,291
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	5,495	-
Net Increase in Revenue from recording Refund Taxes Payable	(41,400)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	2,365,086	-
Recognition of Expenditures - "on behalf payments"	-	2,365,086
Net Decrease in Revenue from Recording 60-Day Receipts	(3,000)	-
Reported on a GAAP Basis	<u>\$ 27,159,192</u>	<u>\$ 27,613,377</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, 2012**

		Business-Type Activities Enterprise Funds		
		Water Fund	Sewer Fund	Total
ASSETS				
CURRENT:				
Cash and Cash Equivalents	\$	472,544	\$ 234,173	\$ 706,717
User Charges, net of allowance for uncollectibles		118,307	131,695	250,002
Total current assets		590,851	365,868	956,719
NONCURRENT:				
Capital Assets, net of accumulated Depreciation				
Non-depreciable		326,700	126,450	453,150
Depreciable		3,408,243	506,648	3,914,891
Total noncurrent assets		3,734,943	633,098	4,368,041
Total Assets		4,325,794	998,966	5,324,760
LIABILITIES				
CURRENT:				
Warrants Payable		12,407	20,752	33,159
Accrued Payroll		3,973	3,975	7,948
Accrued Interest		12,403	322	12,725
Compensated Absences		14,165	4,520	18,685
Bond Anticipation Notes Payable		-	100,000	100,000
Bonds Payable		93,300	1,700	95,000
Total current liabilities		136,248	131,269	267,517
NONCURRENT:				
Compensated Absences		22,830	16,845	39,675
OPEB Obligation Payable		123,122	108,311	231,433
Bonds Payable		899,500	25,500	925,000
Total noncurrent liabilities		1,045,452	150,656	1,196,108
Total Liabilities		1,181,700	281,925	1,463,625
NET ASSETS:				
Invested in Capital Assets, net of related debt		2,742,143	605,898	3,348,041
Restricted for Capital		49,154	-	49,154
Unrestricted		352,797	111,143	463,940
Total Net Assets	\$	3,144,094	\$ 717,041	\$ 3,861,135

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, 2012**

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 966,529	\$ 860,953	\$ 1,827,482
Intergovernmental	4,374	20,000	24,374
Other	11,467	3,084	14,551
Total Operating Revenues	982,370	884,037	1,866,407
Operating Expenses:			
Salaries & Wages	244,427	214,133	458,560
Operating Expenses	323,780	476,959	800,739
Depreciation	98,661	15,483	114,144
Total Operating Expenses	666,868	706,575	1,373,443
Operating Income (Loss)	315,502	177,462	492,964
Non-Operating Revenues (Expenses):			
Investment Income	712	285	997
Interest Expense	(42,876)	(1,110)	(43,986)
Total Non-Operating Revenues (Expenses)	(42,164)	(825)	(42,989)
Income (Loss) Before Operating Transfers	273,338	176,637	449,975
Operating Transfers:			
Transfer In (Out)	(89,114)	(105,938)	(195,052)
Total Operating Transfers	(89,114)	(105,938)	(195,052)
Change in Net Assets	184,224	70,699	254,923
Net Assets at Beginning of Year	2,959,870	646,342	3,606,212
Net Assets at End of Year	\$ 3,144,094	\$ 717,041	\$ 3,861,135

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, 2012**

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 958,892	\$ 829,867	\$ 1,788,759
Receipts from Intergovernmental	4,374	20,000	24,374
Receipts from Other Revenues	11,467	3,084	14,551
Payments to Vendors	(295,789)	(457,740)	(753,529)
Payments to Employees	(245,727)	(212,263)	(457,990)
Net Cash Provided by (Used for) Operating Activities	433,217	182,948	616,165
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) Other Funds	(89,114)	(105,938)	(195,052)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(89,114)	(105,938)	(195,052)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from the Issuance of Bonds and Notes	-	100,000	100,000
Acquisition and Construction of Capital Assets	-	(59,750)	(59,750)
Principal Payments on Bonds and Notes	(128,300)	(1,700)	(130,000)
Interest Expense	(44,649)	(1,113)	(45,762)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(172,949)	37,437	(135,512)
Cash Flows from Investing Activities:			
Investment Income	712	285	997
Net Cash Provided by (Used for) Investing Activities	712	285	997
Net Increase (Decrease) in Cash and Cash Equivalents	171,866	114,732	286,598
Cash and Cash Equivalents at Beginning of Year	300,678	119,441	420,119
Cash and Cash Equivalents at End of Year	\$ 472,544	\$ 234,173	\$ 706,717

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

Operating Income (Loss)	\$ 315,502	\$ 177,462	\$ 492,964
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	98,661	15,483	114,144
Change in Assets and Liabilities:			
Increase (Decrease) in Warrants Payable	1,727	(3,887)	(2,160)
Increase (Decrease) in Accrued Payroll	(666)	148	(518)
Increase (Decrease) in Compensated Absences	(634)	1,722	1,088
Increase (Decrease) in OPEB Obligation Payable	26,264	23,106	49,370
Decrease (Increase) in User Charges	(7,637)	(31,086)	(38,723)
Total Adjustments	117,715	5,486	123,201
Net Cash Provided by (Used for) Operating Activities	\$ 433,217	\$ 182,948	\$ 616,165

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, 2012**

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 61,350	\$ 152,080
Investments	192,103	-
Total Assets	253,453	152,080
LIABILITIES		
Warrants Payable	-	6,111
Due to Students Groups	-	62,126
Due to Others	-	1,915
Escrows and Deposits	-	81,928
Total Liabilities	-	152,080
NET ASSETS:		
Held in Trust for Scholarships and Other Purposes	\$ 253,453	\$ -

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, 2012**

	<u>Private Purpose Trust Funds</u>
Additions:	
Investment Income	\$ 3,296
Total Additions	<u>3,296</u>
Deductions:	
Educational Scholarships	<u>6,285</u>
Total Deductions	<u>6,285</u>
Change in Net Assets	<u>(2,989)</u>
Net Assets at Beginning of Year	<u>256,442</u>
Net Assets at End of Year	<u><u>\$ 253,453</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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Ware, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town 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 2012, 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 is 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.

B. 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.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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 funds are at least 5 percent of the corresponding element for all governmental funds combined.

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

Fiduciary funds are reported by fund type.

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

Government-wide financial statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are 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 concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The Town reports the following major governmental fund:

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

The *fire station construction fund* is a capital projects fund used to account for the accumulation of resources to construct a new public safety facility.

The Town reports the following major proprietary fund:

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

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

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

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent 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.

Additionally, the Town reports the following fund types:

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs. The Town reports the following fiduciary funds:

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The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

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

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.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash.

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

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

Investment income from proprietary funds is maintained in those funds.

E. Investments

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

TOWN OF WARE, MASSACHUSETTS
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F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes, Tax Liens and Tax Possessions

Property taxes are based on assessments as of January 1, 2011 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 2012 on June 21, 2011, that were due on August 1, 2011 and November 1, 2011 and actual bills on December 9, 2011 that were due on February 1, 2012 and May 2, 2012.

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 2012 is as follows:

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2012	\$ 11,847,363
Add: Debt Exclusion	98,601
	<u>\$ 11,945,964</u>

The total amount raised by taxation was \$11,940,839.

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

Excise Taxes

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

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

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

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

Departmental

Departmental receivables consist of ambulance 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.

G. Capital Assets

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

All purchase and construction costs in excess of \$15,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year. Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

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

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

H. Interfund Transfers

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

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

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

I. Deferred 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.

J. 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.
- "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.

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

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

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

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

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

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

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

K. Long-term Debt

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

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

L. Compensated Absences

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

M. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. Eligible General and Public Safety retirees and their spouses contribute 50% of premium rates for the medical plan selected, and eligible teachers and their spouses contribute 15%. The cost of providing health insurance is recognized in the general fund in the fiscal year paid.

TOWN OF WARE, MASSACHUSETTS
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N. Use of Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

- Estimates are submitted by departments.
- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after setting of the tax rate with Town meeting approval.
- Throughout the year appropriations may be transferred between departments with Town meeting approval.

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

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

For fiscal year 2012, the Town incurred a final budget deficit of \$800,678 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	\$ 786,345
Prior Year's Encumbrances	234,265
Reserved for Deficits	(219,932)
	<u>\$ 800,678</u>

TOWN OF WARE, MASSACHUSETTS
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B. Deficit Fund Balances

The following funds had deficits at June 30, 2012 as measured by the balances of unreserved fund balance.

- The fire station construction fund has a deficit of \$964,584. There are currently two temporary bonds totaling \$1,000,000 for this project. The deficit will be eliminated upon the receipt of additional funds and upon the issuance of permanent debt
- The disaster damage recovery fund, a special revenue account, has a deficit of \$96,272. The deficit will be eliminated upon the receipt of additional funds.

3. DETAILED NOTES

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

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2012 were \$6,455,106. Of these, \$3,401,977 was exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

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

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

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

The Town will diversify its investments by security type and institution. With the exception of U. S. Treasury securities or U. S. Government agency funds and the State Treasurer's investment pools, no more than 75% of the Town's total investment portfolio, excluding U. S. obligations and Government agency funds with a single financial institution.

The Town will not have on deposit with a single financial institution more than 60% of the institution's total equity presented on the specific institution's annual audited financial statements.

The Town will utilize the MMDT as an integral part of its overall investment strategy.

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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, 2012, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. government agencies	\$ 282,244	\$ 867	\$ 281,377
Corporate bonds	42,595	-	42,595
Bond mutual funds	22,267	22,267	-
Money market mutual fund	35,951	35,951	-
	<u>383,057</u>	<u>\$ 59,085</u>	<u>\$ 323,972</u>
Other Investments:			
Equity securities - domestic	20,064		
Certificates of deposit	301,321		
MMDT	33,199		
	<u>\$ 737,641</u>		

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 \$737,641 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 utilizes 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, 2012 is as follows:

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Related Debt Instruments	Fair Value	Moody's Quality Rating			Not Rated
		Aaa	A1	A3	
Debt Securities:					
U. S. government agencies	\$ 282,244	\$ 281,377	\$ -	\$ -	\$ 867
Corporate bond	42,595	-	21,449	21,146	-
Money market mutual fund	35,951	-	-	-	35,951
Bond mutual fund	22,267	22,267	-	-	-
	<u>\$ 383,057</u>	<u>\$ 303,644</u>	<u>\$ 21,449</u>	<u>\$ 21,146</u>	<u>\$ 36,818</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 amounting to 35.44% 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, 2012, receivables for the individual major governmental funds, non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 243,789	\$ (7,444)	\$ 236,345
Tax liens	272,212	-	272,212
Tax possessions	176,448	-	176,448
Excise taxes	172,990	(37,610)	135,380
Departmental	132,159	-	132,159
Due from other governments	8,386,478	-	8,386,478
	<u>\$ 9,384,076</u>	<u>\$ (45,054)</u>	<u>\$ 9,339,022</u>

At June 30, 2012, receivables for the business-type activities consist of the following:

TOWN OF WARE, MASSACHUSETTS
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	Gross Amount	Allowance for Uncollectibles	Net Amount
Water Fund:			
User charges	\$ 106,801	\$ (500)	\$ 106,301
Liens	11,414	-	11,414
Other	592	-	592
	<u>118,807</u>	<u>(500)</u>	<u>118,307</u>
Sewer Fund:			
User charges	98,889	(500)	98,389
Liens	9,306	-	9,306
Other	24,000	-	24,000
	<u>132,195</u>	<u>(500)</u>	<u>131,695</u>
Total business-type activities	<u>\$ 116,107</u>	<u>\$ (500)</u>	<u>\$ 115,607</u>

The composition of amounts due from other governments as of June 30, 2012 for governmental funds is as follows:

TOWN OF WARE, MASSACHUSETTS
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Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

School Building Authority:		
School building assistance - Capital portion	\$	5,122,009
Department of Veterans Services:		
Veterans services		280,834
Massachusetts Emergency Management Agency:		
October 2011 snow storm		32,993
		<u>\$ 5,435,836</u>

Nonmajor Governmental Funds:

U. S. Department of Agriculture:

School lunch	21,852
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U. S. Department of Education:

School title grants	240,853
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U. S. Department of Homeland Security:

Staffing for adequate fire and emergency response	57,544
Fire station grant	500,000

U. S. Department of Transportation:

Federal Highway Administration	394,023
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Commonwealth of Massachusetts:

Department of Elementary and Secondary Education:		
School lunch		434
School title grants		9,930
Executive Office of Public Safety and Homeland Security:		
Fire station grant		153,034
Massachusetts Emergency Management Agency:		
October 2011 snow storm		429,414
Massachusetts Department of Transportation:		
Highway Department - Chapter 90 funds		1,031,754
<i>Collaborative for Education Services:</i>		
Early childhood	26,091	2,864,929
		<u>\$ 8,300,765</u>

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, 2012 receivable balances, except real estate and personal property taxes that are accrued for subsequent 60 day collections.

At the end of the current fiscal year, the deferred revenue for property taxes is \$177,345.

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

TOWN OF WARE, MASSACHUSETTS
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General Fund:

Tax liens and tax possessions	\$	448,660	
Excise taxes		135,380	
Departmental		550	
Due from other governments		5,348,975	5,933,565

Nonmajor Governmental Funds:

Departmental		108,064	
Due from other governments		902,399	1,010,463
	\$		<u>6,944,028</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2012, are as follows

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,394,101	\$ -	\$ -	\$ 2,394,101
Construction in progress	298,955	4,416,417	(509,973)	4,205,399
Total capital assets not being depreciated	2,693,056	4,416,417	(509,973)	6,599,500
Capital assets being depreciated:				
Buildings and Renovations	23,371,017	-	-	23,371,017
Machinery, equipment and other	4,855,981	27,738	(100,465)	4,783,254
Infrastructure	5,854,702	509,973	-	6,364,675
Total capital assets being depreciated	34,081,700	537,711	(100,465)	34,518,946
Less accumulated depreciation for:				
Buildings and Renovations	10,670,799	917,756	-	11,588,555
Machinery, equipment and other	2,962,760	264,907	(100,465)	3,127,202
Infrastructure	1,352,704	186,819	-	1,539,523
Total accumulated depreciation	14,986,263	1,369,482	(100,465)	16,255,280
Total capital assets being depreciated, net	19,095,437	(831,771)	-	18,263,666
Total governmental activities capital assets, net	\$ 21,788,493	\$ 3,584,646	\$ (509,973)	\$ 24,863,166

TOWN OF WARE, MASSACHUSETTS
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Business-type activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 393,400	\$ -	\$ -	\$ 393,400
Construction in progress	-	59,750	-	59,750
Total capital assets not being depreciated	393,400	59,750	-	453,150
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	835,337	114,144	-	949,481
Total accumulated depreciation	835,337	114,144	-	949,481
Total capital assets being depreciated, net	4,029,035	(114,144)	-	3,914,891
Total governmental activities capital assets, net	\$ 4,422,435	\$ (54,394)	\$ -	\$ 4,368,041

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

Governmental Activities:

General government	\$ 9,383
Public safety	222,152
Public works	207,539
Education	815,252
Health and Human Services	79,566
Culture and recreation	35,590
Total depreciation expense - governmental activities	<u>\$ 1,369,482</u>

Business-type Activities

Water	\$ 98,661
Sewer	15,483
Total depreciation expense - business-type activities	<u>\$ 114,144</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

	Transfers In:
Transfers Out:	General fund
Nonmajor governmental funds	\$ 582,410
Business-type funds	195,052
Total transfers out	<u>\$ 777,462</u>

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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.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, are as follows:

Year Ending June 30,	Governmental Activities
2013	\$ 64,127
2014	64,127
2015	64,127
2016	29,336
2017	29,336
2018	29,336
Total minimum lease payments	280,389
Less: amount representing interest	(27,175)
Present value of minimum lease payments	<u>\$ 253,214</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, 2011	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2012
Revenue Anticipation Notes:	0.90%	10/04/11	\$ -	\$ 500,000	\$ 500,000	\$ -
Bond Anticipation Notes:						
Fire station construction	0.65%	02/22/13	-	500,000	-	500,000
Fire station construction	0.50%	02/22/13	-	500,000	-	500,000
WasteWater Treatment						
Plant influent pumps	0.50%	05/03/12	-	100,000	100,000	-
Federal and State Anticipation Notes:						
October 2011 snow storm	0.70%	08/01/12	-	888,973	-	888,973
Hiighway - Chapter 90	0.45%	09/19/12	-	125,000	-	125,000
			<u>\$ -</u>	<u>\$ 2,613,973</u>	<u>\$ 600,000</u>	<u>\$ 2,013,973</u>

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

**TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2011	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2012
Sewer Fund:						
Bond Anticipation Notes:						
WWTP Influent pumps	0.50%	02/22/13	\$ -	\$ 100,000	\$ -	\$ 100,000

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:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2012
Inside Debt:					
Police Station	4.75%	09/08/00	09/08/19	\$ 500,000	\$ 200,000
Land Acquisition	4.89%	09/01/99	09/01/14	110,000	15,000
PVPC-Brownfield Clean up	2.00%	07/01/06	07/01/14	200,000	111,295
Departmental Equipment	3.66%	03/15/08	03/15/22	980,000	660,000
Veteran's Park	3.68%	03/15/08	03/15/22	185,000	125,000
Town Hall Boiler Replacement	3.74%	03/15/08	03/15/25	87,000	65,000
Senior Center	3.78%	03/15/08	03/15/27	852,000	670,000
Road Repairs	3.67%	03/15/08	03/15/18	100,400	60,000
Refunding Loan of 2011:					
Roof Replacement - Police	1.01%	06/03/11	06/01/12	54,305	50,805
Roof Replacement - Highway	1.01%	06/03/11	06/01/12	64,930	61,030
Departmental Equipment	1.01%	06/03/11	06/01/12	40,000	20,000
Road Reconstruction	1.01%	06/03/11	06/01/12	39,375	32,875
Massachusetts Water Pollution Abatement Trust:					
Landfill Capping - WPAT	N/A	12/09/98	08/01/18	906,800	356,000
Total Inside Debt					<u>2,427,005</u>
Outside Debt:					
School Building Refunding	3.77%	12/15/05	09/01/18	8,640,000	6,540,000
Total Outside Debt					<u>6,540,000</u>
Total governmental type debt					<u>\$ 8,967,005</u>

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2012 are as follows:

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Governmental	Principal	Interest	Total
2013	\$ 1,359,106	\$ 365,385	\$ 1,724,491
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	1,150,800	135,750	1,286,550
2018-2020	2,616,500	190,471	2,806,971
2023-2027	235,000	27,100	262,100
	<u>\$ 8,967,005</u>	<u>\$ 1,430,969</u>	<u>\$ 10,397,974</u>

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

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2012
Sewer Fund:					
<i>Inside Debt:</i>					
Municipal purpose loan of 2008:					
Sewer lines repairs	3.80%	3/15/2008	3/15/2028	\$ 33,600	<u>\$ 27,200</u>
Water Fund:					
<i>Outside Debt:</i>					
Municipal purpose loan of 2008:					
Water	4.93%	9/1/1999	9/1/2016	\$ 1,184,400	185,000
Municipal purpose loan of 2008:					
Water control facility	3.80%	3/15/2008	3/15/2028	\$ 831,000	675,000
Water line repairs	3.80%	3/15/2008	3/15/2028	\$ 167,000	<u>132,800</u>
Total Inside Debt					<u>992,800</u>
Total Business-type Debt					<u>\$ 1,020,000</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, 2012, are as follows:

Business-Type	Principal	Interest	Total
2013	\$ 95,000	\$ 41,041	\$ 136,041
2014	95,000	37,150	132,150
2015	95,000	32,424	127,424
2016	75,000	28,892	103,892
2017	75,000	25,186	100,186
2018-2022	270,000	93,338	363,338
2023-2027	265,000	41,090	306,090
2028	50,000	2,000	52,000
	<u>\$ 1,020,000</u>	<u>\$ 301,121</u>	<u>\$ 1,321,121</u>

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due within One Year
Governmental activities:					
<i>Bond Payable:</i>					
General obligation bonds	\$ 10,242,844	\$ -	\$ 1,275,839	\$ 8,967,005	\$ 1,359,106
<i>Leases payable</i>	305,775	-	52,561	253,214	54,652
<i>OPEB obligation payable</i>	5,705,530	1,982,525	-	7,688,055	-
<i>Compensated absences</i>	506,492	-	40,230	466,262	98,068
Governmental activity					
Long-term liabilities	<u>\$ 16,760,641</u>	<u>\$ 1,982,525</u>	<u>\$ 1,368,630</u>	<u>\$ 17,374,536</u>	<u>\$ 1,511,826</u>
Business type activities:					
<i>Bond Payable:</i>					
General obligation bonds	\$ 1,150,000	\$ -	\$ 130,000	\$ 1,020,000	\$ 95,000
<i>OPEB obligation payable</i>	182,063	49,370	-	231,433	-
<i>Compensated absences</i>	57,273	1,087	-	58,360	18,685
Business-type activity					
Long-term liabilities	<u>\$ 1,389,336</u>	<u>\$ 50,457</u>	<u>\$ 130,000</u>	<u>\$ 1,309,793</u>	<u>\$ 113,685</u>

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$906,800 and interest costs of \$492,183 on one loan which the Town has borrowed from MWPAT. The gross amount outstanding at June 30, 2012 for principal and interest combined for the loan is \$442,377. The net repayments, including interest, are scheduled to be \$295,790. The principal subsidies are guaranteed and therefore a \$85,713 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 2012 principal and interest subsidies totaled \$24,111.

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, 2012 totaled \$2,454,205.

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, 2012:

**TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

Equalized Valuation-Real Estate and Personal Property (2012)		\$ 795,704,500
Debt Limit: 5 % of Equalized value		<u>\$ 39,785,225</u>
Total Debt Outstanding	\$ 9,987,005	
Less: Debt Outside Debt Limit	<u>(7,532,800)</u>	<u>2,454,205</u>
Inside Debt Excess Borrowing Capacity at June 30, 2012		<u>\$ 37,331,020</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, 2012 and are not reflected in the Town's financial statements are as follows:

Date of Town Meeting Authorized	Purpose	Amount
11/8/2010	Conservation restriction on Frohloff Farm Land Trust, Inc.	\$ 200,000
5/9/2011	Disinfection upgrade at the wastewater treatment plant	<u>80,000</u>
		<u>\$ 280,000</u>

H. Fund Balances

The following is a summary of the Governmental Fund fund balances of the Town ended June 30, 2012:

TOWN OF WARE, MASSACHUSETTS
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June 30, 2012

	General Fund	Fire Station Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Cemetery permanent funds	\$ -	\$ -	\$ 139,908	\$ 139,908
Restricted:				
Federal, state and local grants	-	-	786,453	786,453
School revolving funds	-	-	374,068	374,068
Town revolving funds	-	-	51,484	51,484
Donations and gifts	-	-	65,173	65,173
Insurance reimbursements	-	-	43,001	43,001
Capital projects	-	-	48,733	48,733
Permanent funds	-	-	79,985	79,985
Other	-	-	23,690	23,690
	-	-	1,472,587	1,472,587
Committed:				
Ambulance	-	-	79,975	79,975
Assigned:				
General government	49,387	-	-	49,387
Public safety	32,151	-	-	32,151
Public works	41,189	-	-	41,189
Education	63,063	-	-	63,063
Health and human services	26,688	-	-	26,688
Culture and recreation	2,064	-	-	2,064
Employee Benefits and Insurance	58	-	-	58
Fiscal year 2012 budget	481,451	-	-	481,451
	696,051	-	-	696,051
Unassigned:				
General Fund	2,197,371	-	-	2,197,371
Fire station construction fund	-	(964,584)	-	(964,584)
Special Revenue:				
Disaster damage recovery	-	-	(96,272)	(96,272)
	2,197,371	(964,584)	(96,272)	1,136,515
Total Governmental Fund Balances	\$ 2,893,422	\$ (964,584)	\$ 1,596,198	\$ 3,525,036

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

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose.

At June 30, 2012, the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 317,560
Capital stabilization fund	<u>271,960</u>
	<u>\$ 589,520</u>

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, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012.

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. Other Post Employment Benefits Payable

GASB Statement No. 45

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

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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 2012 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$925,924.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post-employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

Normal Cost	\$ 1,374,146
Amortization of unfunded actuarial accrued liability	1,675,554
Annual required contribution	<u>3,049,700</u>
Interest on net OPEB obligation	235,504
Adjustment to annual required contribution	<u>(327,385)</u>
Annual OPEB cost (expense)	2,957,819
Contributions made during the fiscal year	<u>925,924</u>
Increase in net OPEB obligation	2,031,895
Net OPEB Obligation - beginning of year	5,887,593
Net OPEB Obligation - end of year	<u><u>\$ 7,919,488</u></u>

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2012 fiscal year and the two preceding years were as follows:

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/10	\$ 3,200,003	37.4%	\$ 3,971,739
06/30/11	\$ 2,807,218	31.8%	\$ 5,887,593
06/30/12	\$ 2,957,819	31.3%	\$ 7,919,488

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/08	\$ -	\$ 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%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Town OPEB actuarial valuation as of July 1, 2010 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:

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Year	Medical	Dental
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, 2012 is 26 years.

D. Pension Plan

Plan Description

The Town, as a member of the Hampshire County Retirement System (the System), participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Hampshire County Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of the Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers' Retirement Board and are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$2,365,086 for the fiscal year ending June 30, 2012, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

The Town has approximately 185 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, 2012, 2011, and 2010 is shown below, which equaled its required contribution for each fiscal year.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Fiscal Year Ended June 30	Town's Contribution
2012	\$ 1,186,846
2011	\$ 1,076,820
2010	\$ 1,030,214

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 8.52% or \$11,333,058.

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.

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, 2012

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 161,279	\$ 1,003,485	\$ 836,702	\$ -	\$ 328,062
Arts Lottery Council Grant	3,222	3,941	2,908	-	4,255
Board of Health Emergency Preparedness Grant	10,194	2,500	8,408	-	4,286
Clean Energy Choice Grant	515	-	-	-	515
Community Development Block Grants	303,072	1,308,049	1,266,644	(8)	344,469
Council on Aging Grants	(1,326)	15,277	13,425	-	526
Disaster Damage Recovery	-	862,077	958,349	-	(96,272)
Extended Polling Hours	-	1,171	1,171	-	-
Highway Grants	-	112,875	109,573	-	3,302
Library Grants	11,614	11,485	-	-	23,099
Public Safety Grants	13,823	264,297	265,482	-	12,638
Schools:					
School Lunch Revolving	75,556	540,964	521,012	-	95,508
School Lunch Commodities	-	50,220	50,220	-	-
School Choice	313,858	212,407	278,014	-	248,251
School Revolving Accounts	44,725	77,682	92,098	-	30,309
State Special Education Reimbursement Fund	23,676	422,620	405,411	-	40,885
Other:					
Ambulance	89,820	572,556	-	(582,401)	79,975
Council on Aging Center Rental Revolving	4,729	1,765	2,909	-	3,585
Drug Forfeiture	3,729	5,307	8,959	-	77
Gifts and Donations	80,198	68,347	83,372	-	65,173
Insurance Reimbursements	39,766	24,225	20,990	-	43,001
Police Outside Duty	-	165,346	165,346	-	-
Recreation Revolving	8,899	32,214	32,163	-	8,950
Sale of Cemetery Lots	6,989	2,742	-	-	9,731
School Rail Fund	2,797	1	-	-	2,798
Septic Repair Loan Repayments	38,949	-	-	-	38,949
SPC Fines, Chapter 304	100	-	100	-	-
Water/Sewer Development	18,631	35	13,000	-	5,666
Municipal Insurance Fund	5,346	72	-	-	5,418
Total Special Revenue Funds	\$ 1,260,161	\$ 5,761,660	\$ 5,136,256	\$ (582,409)	\$ 1,303,156

TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
Capital Projects:					
Brownfields Project	\$ 1,389	\$ -	\$ 1,389	\$ -	\$ -
Department of Public Works Roof	1	-	-	(1)	-
Goldstein Property	998	-	-	-	998
Landfill Closure	1,673	-	-	-	1,673
Palmer Road/Beaver Lake Project	5,826	-	-	-	5,826
Public Works Economic Development Grant	24,417	-	-	-	24,417
Senior Center Projects	9,219	-	-	-	9,219
Snows Pond Dam Construction	13,310	-	-	-	13,310
South Street Construction	12,661	-	760	-	11,901
Underground Storage Tank Removal School	5,806	-	-	-	5,806
Total Capital Projects	75,300	-	2,149	(1)	73,150
Perpetual Permanent Funds:					
Cemetery Perpetual Care Funds:					
Aspen Grove Fund	117,627	1,680	-	-	119,307
George L. Draper Fund	10,000	-	-	-	10,000
Susan Connell Fund	4,000	-	-	-	4,000
Josephine Wood Fund	4,101	-	-	-	4,101
Mary Packard Fund	2,000	-	-	-	2,000
Donald Sherman Fund	500	-	-	-	500
Total Perpetual Permanent Funds	138,228	1,680	-	-	139,908
Permanent Funds:					
Cemetery Perpetual Care Funds:					
Aspen Grove Fund	1,262	3,579	2,266	-	2,575
George L. Draper Fund	(83)	41	-	-	(42)
Susan Connell Fund	220	19	-	-	239
Helen Handanian Fund	1,279	317	125	-	1,471
Reed Memorial Fund	4,371	5,278	4,006	-	5,643
Permanent Funds page 52	\$ 7,049	\$ 9,234	\$ 6,397	\$ -	\$ 9,886

TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
	\$ 7,049	\$ 9,234	\$ 6,397	\$ -	\$ 9,886
Continued from page 52					
Permanent Funds (continued):					
Josephine Wood Fund	1,092	70	-	-	1,162
Mary Packard Fund	1,156	42	118	-	1,080
Donald Sherman Fund	673	16	-	-	689
Gilbert Grenville Park Fund	46,432	16,684	6,897	-	56,219
Reed Swimming Pool Fund	17,890	6,893	13,835	-	10,948
Total Permanent Funds	74,292	32,939	27,247	-	79,984
Total - Non-Major Governmental Funds	\$ 1,547,981	\$ 5,796,279	\$ 5,165,652	\$ (582,410)	\$ 1,596,198

TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY, AND SUPPLEMENTAL TAXES
JULY 1, 2011 TO JUNE 30, 2012

	Uncollected Taxes July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2012	Uncollected Taxes Per Detail June 30, 2012
Real Estate Taxes:						
Levy of 2012	\$ -	\$ 11,570,863	\$ 169,175	\$ 11,199,312	\$ 202,376	\$ 202,376
Levy of 2011	283,904	-	32,379	240,559	10,966	10,966
Levy of 2010	30,994	-	1,222	29,703	69	69
Levy of 2009	23,191	-	-	23,191	-	-
	<u>338,089</u>	<u>11,570,863</u>	<u>202,776</u>	<u>11,492,765</u>	<u>213,411</u>	<u>213,411</u>
Personal Property Taxes:						
Levy of 2012	-	369,954	612	354,134	15,208	15,208
Levy of 2011	4,559	-	-	1,454	3,105	3,105
Levy of 2010	3,048	-	-	347	2,701	2,701
Levy of 2009	2,595	-	-	471	2,124	2,124
Levy of 2008	436	-	-	91	345	345
Prior Years	5,898	-	-	-	5,898	5,898
	<u>16,536</u>	<u>369,954</u>	<u>612</u>	<u>356,497</u>	<u>29,381</u>	<u>29,381</u>
Supplemental Taxes	<u>3,316</u>	<u>1,626</u>	<u>-</u>	<u>3,945</u>	<u>997</u>	<u>997</u>
Rollback Taxes	<u>-</u>	<u>535</u>	<u>-</u>	<u>535</u>	<u>-</u>	<u>-</u>
Total Real Estate, Personal Property, and Supplemental Taxes	<u>\$ 357,941</u>	<u>\$ 11,942,978</u>	<u>\$ 203,388</u>	<u>\$ 11,853,742</u>	<u>\$ 243,789</u>	<u>\$ 243,789</u>

TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE, FARM ANIMAL EXCISE AND BOAT EXCISE TAXES
JULY 1, 2011 TO JUNE 30, 2012

	Uncollected Taxes July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2012	Uncollected Taxes Per Detail June 30, 2012
Motor Vehicle Excise Taxes:						
Levy of 2011	\$ -	\$ 786,121	\$ 14,407	\$ 704,678	\$ 67,036	\$ 67,036
Levy of 2010	61,002	75,552	6,892	109,669	19,993	19,993
Levy of 2009	19,725	-	233	9,338	10,154	10,154
Levy of 2008	12,942	-	66	1,656	11,220	11,220
Levy of 2007	9,990	-	-	2,123	7,867	7,867
Prior Years	57,982	834	-	4,376	54,440	54,440
	<u>161,641</u>	<u>862,507</u>	<u>21,598</u>	<u>831,840</u>	<u>170,710</u>	<u>170,710</u>
Farm Animal Excise Taxes	<u>1,801</u>	<u>2,209</u>	<u>-</u>	<u>2,078</u>	<u>1,932</u>	<u>1,932</u>
Boat Excise Taxes	<u>233</u>	<u>2,864</u>	<u>311</u>	<u>2,438</u>	<u>348</u>	<u>348</u>
Total Motor Vehicle Excise, Farm Animal Excise, and Boat Excise Taxes	<u>\$ 163,675</u>	<u>\$ 867,580</u>	<u>\$ 21,909</u>	<u>\$ 836,356</u>	<u>\$ 172,990</u>	<u>\$ 172,990</u>

TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2011 TO JUNE 30, 2012

	Uncollected Accounts July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2012	Uncollected Accounts Per Detail June 30, 2012
Tax Liens	\$ 288,958	\$ 176,752	\$ 26,066	\$ 167,432	\$ 272,212	\$ 272,212