

TOWN OF WARE, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2013

<p style="text-align: center;">TOWN OF WARE, MASSACHUSETTS TABLE OF CONTENTS</p>

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-10
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues and Expenditures - Budgetary Basis - (Non-GAAP)- Budget and Actual - General Fund	17
Reconciliation of Revenues and Expenditures from Budgetary Basis to GAAP Basis	18
Statement of Net Position - Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21
Statement of Fiduciary Net Position - Fiduciary Funds	22
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	23
Notes to the Financial Statements	24-50

SUPPLEMENTARY SCHEDULES

Governmental Funds by Fund Type:

Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds	51-53
---	-------

Receivable Schedules:

Schedule of Real Estate, Personal Property, Supplemental and Rollback Taxes	54
Schedule of Motor Vehicle Excise, Farm Animal Excise and Boat Excise Taxes	55
Schedule of Tax Liens	56

Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Ware, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ware, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ware, Massachusetts, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2014, on our consideration of the Town of Ware, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Ware, Massachusetts' internal control over financial reporting and compliance.


Scanlon & Associates, LLC
South Deerfield, Massachusetts

March 12, 2014

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, 2013. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets exceeded its liabilities by \$23,000,447 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$21,935,230 an increase of \$1,065,217 (5%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$2,774,639, a decrease of \$750,397 (21%) in comparison with prior year.
- The General Fund's total fund balance decreased \$110,235 (4%) to \$2,783,187. The ending General fund balance is 10% of revenues, transfers in and the sale of foreclosure property; and 10% of expenditures and transfers out.
- Total long term liabilities of the Town decreased by \$888,710 (4%) to \$22,572,947 during the fiscal year. This change was mainly the result of a decrease in warrants and accounts payable of \$952,786 as a result of the fire station construction project nearing completion and the total bonds and leases payable of \$1,377,948 and an increase in other post employment benefit (OPEB) liability of \$1,181,478.
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$955,027. The key factors that attributed to the free cash amount for fiscal year 2013 are, approximately, as follows:
 - Unexpended/unencumbered appropriations \$ 299,540.
 - Excess over budget – state and local receipts \$ 502,060.
 - Prior year free cash not appropriated \$ 229,700.
- The Town's enterprise funds certified free cash is as follows:
 - Water Fund \$565,360.
 - Sewer fund \$279,799.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Ware's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activities include the water and sewer activities.

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

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

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

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

Proprietary funds. The Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its 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 Position Highlights

	Governmental Activities		
	2013	2012	Change
Assets:			
Current assets	\$ 8,695,045	\$ 10,971,755	\$ (2,276,710)
Noncurrent assets (excluding capital assets)	3,608,716	4,237,206	(628,490)
Capital assets	27,367,573	24,863,166	2,504,407
Total assets	39,671,334	40,072,127	(400,793)
Liabilities:			
Current liabilities (excluding debt and leases)	1,906,803	2,707,591	(800,788)
Current debt including leases	3,234,079	3,427,731	(193,652)
Noncurrent liabilities (excluding debt and leases)	9,181,482	8,056,249	1,125,233
Noncurrent debt including leases	6,539,868	7,806,461	(1,266,593)
Total liabilities	20,862,232	21,998,032	(1,135,800)
Net Position:			
Net investment in capital assets	22,467,390	19,850,669	2,616,721
Restricted	1,768,919	2,550,310	(781,391)
Unrestricted	(5,427,207)	(4,326,884)	(1,100,323)
Total net position	\$ 18,809,102	\$ 18,074,095	\$ 735,007

	Business-Type Activities		
	2013	2012	Change
Assets:			
Current assets	\$ 1,289,852	\$ 956,719	\$ 333,133
Capital assets	4,612,208	4,368,041	244,167
Total assets	5,902,060	5,324,760	577,300
Liabilities:			
Current liabilities (excluding debt)	120,354	72,517	47,837
Current debt	475,000	195,000	280,000
Noncurrent liabilities (excluding debt)	285,361	271,108	14,253
Noncurrent debt	830,000	925,000	(95,000)
Total liabilities	1,710,715	1,463,625	247,090
Net Position:			
Net investment in capital assets	3,307,208	3,348,041	(40,833)
Restricted	50,549	49,154	1,395
Unrestricted	833,588	463,940	369,648
Total net position	\$ 4,191,345	\$ 3,861,135	\$ 330,210

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2013	2012	Change
Program Revenues:			
Charges for services	\$ 1,514,170	\$ 1,444,186	\$ 69,984
Operating grants and contributions	14,202,902	15,178,042	(975,140)
Capital grants and contributions	3,446,243	3,813,108	(366,865)
General Revenues:			
Property taxes	12,153,702	11,584,900	568,802
Motor vehicle excise and other taxes	891,455	853,929	37,526
Penalties and interest on taxes	64,073	86,318	(22,245)
Nonrestricted grants	1,860,724	1,839,510	21,214
Unrestricted investment income	10,519	15,150	(4,631)
Gain on Sale of Foreclosure Property	34,600	65,500	(30,900)
Miscellaneous	12,178	5,377	6,801
Total revenues	34,190,566	34,886,020	(695,454)
Expenses:			
General government	1,321,416	1,436,530	(115,114)
Public safety	3,467,654	3,544,192	(76,538)
Public works	1,542,109	2,215,156	(673,047)
Education	15,750,181	14,616,144	1,134,037
Health and human services	1,333,423	1,276,585	56,838
Culture and recreation	438,669	421,384	17,285
Employee benefits and insurance	8,107,370	8,871,852	(764,482)
State assessments	1,348,482	1,450,057	(101,575)
Interest	353,948	400,124	(46,176)
Total expenses	33,663,252	34,232,024	(568,772)
Contributions to permanent funds	1,200	1,680	(480)
Transfers, net	206,493	195,052	11,441
Change in net position	735,007	850,728	(115,721)
Net position - beginning of year	18,074,095	17,223,367	850,728
Net position - end of year	\$ 18,809,102	\$ 18,074,095	\$ 735,007

	Business-Type Activities		
	2013	2012	Change
Program Revenues:			
Charges for services	\$ 1,939,490	\$ 1,842,033	\$ 97,457
Operating grants and contributions	1,523	25,371	(23,848)
Total revenues	1,941,013	1,867,404	73,609
Expenses:			
Water	697,991	709,744	11,753
Sewer	706,319	707,685	1,366
Total expenses	1,404,310	1,417,429	13,119
Transfers	(206,493)	(195,052)	(11,441)
Change in net position	330,210	254,923	75,287
Net position - beginning of year	3,861,135	3,606,212	254,923
Net position - end of year	\$ 4,191,345	\$ 3,861,135	\$ 330,210

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$23,000,447 at the close of fiscal year 2013.

Net position of \$25,774,598 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position \$1,819,468 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$4,593,619).

At the end of the current fiscal year, the Town is able to report positive balances in two categories of net position and a negative balance in the unrestricted net position in the governmental activities. The unrestricted governmental activities resulted in a negative balance of (\$5,427,207) as a result of recognizing the OPEB liability obligation. The liability for OPEB as presented on the statement of net position for the governmental activities is \$8,842,436.

The governmental activities net position increased by \$735,007 (4%) during the current fiscal year, which reflects the general fund's results of operation. The key elements of the increase in net position for fiscal year 2013 was attributed to the acquisition of \$3,896,140 in new capital assets exceeding the depreciation expense (normally spread out over the useful life of the asset) for the year of \$1,391,733 and a decrease as a result of recognizing this year's OPEB obligation of \$1,154,381.

There was an increase of \$330,210 in net position reported in the business-type activities. Of this, there was an increase of \$224,693 attributed to the water department and an increase of \$105,607 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 \$2,774,639 a decrease of \$750,397 (21%) in comparison with the prior year.

The breakdown of the governmental funds is as follows:

- Nonspendable fund balance - \$141,108 (5%).
- Restricted fund balance - \$891,779 (32%).
- Committed fund balance - \$71,447 (3%).
- Assigned fund balance - \$937,308 (34%).
- Unassigned fund balance - \$732,997 (26%).

Major Governmental Funds

At the end of the fiscal year, the General Fund reported a total fund balance of \$2,783,187 decreasing \$110,235 (4%) from the prior year. Of the \$2,783,187, the unassigned amount is \$1,845,879 (66%) and the assigned amount is \$937,308 (34%). General fund revenues were \$471,081 (2%) more than the prior fiscal year and expenditures also increased by \$888,399 (3%). Other activity in the General Fund consisted of net transfers from other funds of \$726,668 and the foreclosure property sales of \$34,600.

The main components of the increases in general fund revenues were related to increases in property taxes of \$164,456 (1%), intergovernmental receipts of \$152,369 (1%) and license, permits and fees of \$106,748 (26%) and a decrease in interest on taxes of \$22,245 (26%) from the prior year.

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

- Decrease in General government expenditures of \$115,398 (10%).
- Increase in Public works expenditures of \$138,534 (16%).
- Increase in Education expenditures of \$1,031,713 (9%).
- Decrease in State assessments expenditures of \$101,575 (7%).
- Decrease in Principal and Interest on debt service expenditures of \$49,127 (3%).

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 \$911,283 at the end of the fiscal year. The activity of the fund consisted of grant receipts of \$2,917,865 and expenditures of \$2,864,564. The fund ended fiscal year 2013 with a negative fund balance due to the fact that interim financing is being accomplished with bond anticipation notes. The Town has bond anticipation notes outstanding of \$1,000,000 for this project. Permanent financing will be done on 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* has accumulated a fund balance of \$3,368,697 used in the financing and operations of the Town's water system. The fund shows an increase of \$224,603 (7%) in total operations. This change was mainly attributed to operating revenues exceeding operating costs by \$351,778, interest income of \$1,021, interest expense of \$38,768 and transfers to the general fund of \$89,428 for indirect costs. Operating revenues increased by \$28,631 (3%) while operating expenses decreased by \$7,645 (1%) from the prior year.

The *Sewer Fund* has accumulated a fund balance of \$822,648 used in the financing and operations of the Town's sewer system. The fund shows an increase of \$105,607 (15%) in total operations. This change was mainly attributed to operating revenues exceeding operating costs by \$223,264, interest income of

\$502, interest expense of \$1,094 and transfers to the general fund of \$117,065 for indirect costs. Operating revenues increased by \$44,452 (5%) while operating expenses decreased by \$1,350 (.2%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2013 was \$26,574,503. This was an increase of \$791,263 (3%) over the previous year's budget.

There was an increase of \$479,765 between the original budget and the final amended budget. The change is attributed to votes at the special town meeting in November 2012 and May 2013 for various budget operating line items.

General fund expenditures were less than budgeted by \$532,328. Of the \$532,328 in under budget expenditures \$232,790 has been carried over to fiscal year 2014.

There are negative variances in property taxes of \$22,902, excise and other taxes of \$15,403 and interest on taxes of \$5,927. These were all as a result of lower collections. The actual local revenues exceeded the amount that was budget by \$479,162.

A negative variance exists in public works of \$71,827 as the actual expenses exceeded the budget mainly as a result of higher than anticipated snow and ice clearing activities during the winter season.

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, 2013 amounts to \$27,367,573 and \$4,612,208, 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:

- Land possessions for \$121,641.
- Police vehicles for \$68,270.
- New fire station construction for \$2,863,956.
- Highway equipment for \$219,613.
- Streets and sidewalks for \$14,022.
- School vehicle and equipment for \$117,260.
- Memorial Field park improvements for \$491,378.

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

- Sewer influent pump improvements for \$46,960.
- Sewer infrastructure improvements for \$277,267.
- Water vehicle for \$40,836.

Debt Administration. The Town's outstanding governmental debt, as of June 30, 2013, totaled \$7,738,709, of which \$5,575,000 is for the school project, \$175,000 is for the police station, \$329,900 is for landfill projects, \$585,000 for departmental equipment, \$10,000 for land acquisition, \$110,000 for veteran's park, \$60,000 town hall boiler replacement, \$625,000 for the senior center, \$87,999 for Brownfield clean-up, \$104,435 for roof replacements and \$76,375 for road improvements.

The governmental activities also has bond and state anticipation notes outstanding for \$1,836,676 of which \$359,558 is for the October 2011 winter storm, \$1,000,000 is for the fire station construction,

\$200,118 is for various capital projects and \$277,000 is for highway anticipated revenue from the Commonwealth.

The business-type activities have \$899,500 in water debt and \$25,500 in sewer debt. The sewer fund also has \$380,000 bond anticipation notes for influent pump improvements and Wastewater Treatment Plant improvements.

The Town also has capital leases for a fire administration vehicle, an ambulance and an Emergency Medical Services 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 \$216,262 on the leases consisting of \$198,562 in principal and \$17,700 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, 2013 do not reflect the fiscal year 2014 Town Meeting action with the exception of the fund balance (free cash) and overlay amounts used to fund the 2014 budget. The Annual Town Meeting on May 13, 2013 authorized a fiscal year 2014 operating and capital budget as follows:

From the tax levy	\$ 25,244,339
From water revenues	743,590
From sewer revenues	754,100
From other available funds:	
General Fund:	
Unreserved fund balance - Free cash	629,518
Overlays	75,000
Non-major Governmental Funds:	
Reserved for ambulance	35,000
	<hr/>
	\$ 27,481,547
	<hr/>

Requests for Information

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

BASIC FINANCIAL STATEMENTS

**TOWN OF WARE, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2013**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 4,395,538	\$ 1,027,771	\$ 5,423,309
Investments	603,203	-	603,203
Cash in Custody of Others	57,954	-	57,954
Receivables, net of allowance for uncollectibles:			
Property Taxes	331,315	-	331,315
Tax Liens	261,477	-	261,477
Excise Taxes	193,288	-	193,288
User Charges	-	262,081	262,081
Departmental	181,654	-	181,654
Due from Other Governments	2,670,616	-	2,670,616
Total current assets	8,695,045	1,289,852	9,984,897
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Due from Other Governments	3,608,716	-	3,608,716
Capital Assets, net of accumulated Depreciation:			
Non-depreciable	10,082,175	670,667	10,752,842
Depreciable	17,285,398	3,941,541	21,226,939
Total noncurrent assets	30,976,289	4,612,208	35,588,497
Total Assets	39,671,334	5,902,060	45,573,394
LIABILITIES			
CURRENT:			
Warrants and Accounts Payable	603,990	82,216	686,206
Accrued Payroll	911,934	9,293	921,227
Payroll Withholdings	50,501	-	50,501
Tax Refund Payable	5,000	-	5,000
Taxes Collected in Advance	127,448	-	127,448
Other	7,739	-	7,739
Accrued Interest	109,941	11,546	121,487
Compensated Absences	90,250	17,299	107,549
Bond Anticipation Notes Payable	1,836,676	380,000	2,216,676
Bonds and Leases Payable	1,397,403	95,000	1,492,403
Total current liabilities	5,140,882	595,354	5,736,236
NONCURRENT:			
Compensated Absences	339,046	26,831	365,877
OPEB Obligation Payable	8,842,436	258,530	9,100,966
Bonds and Leases Payable	6,539,868	830,000	7,369,868
Total noncurrent liabilities	15,721,350	1,115,361	16,836,711
Total Liabilities	20,862,232	1,710,715	22,572,947
NET POSITION:			
Net Investments in Capital Assets	22,467,390	3,307,208	25,774,598
Restricted for:			
Capital Projects	102,230	50,549	152,779
Federal & State Grants	1,013,082	-	1,013,082
Permanent Funds:			
Expendable	88,778	-	88,778
Nonexpendable	141,108	-	141,108
Other Purposes	423,721	-	423,721
Unrestricted	(5,427,207)	833,588	(4,593,619)
Total Net Position	\$ 18,809,102	\$ 4,191,345	\$ 23,000,447

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, 2013**

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:						
General Government	\$	1,321,416	\$ 222,057	\$ 150,960	\$ -	(948,399)
Public Safety		3,467,654	974,640	258,473	2,917,865	683,324
Public Works		1,542,109	6,775	109,023	-	(1,426,311)
Education		15,750,181	228,964	10,138,373	-	(5,382,844)
Health and Human Services		1,333,423	37,145	866,200	-	(430,078)
Culture and Recreation		438,669	44,589	26,099	528,378	160,397
Employee Benefits and Insurance		8,107,370	-	2,434,974	-	(5,672,396)
State Assessments		1,348,482	-	-	-	(1,348,482)
Interest		353,948	-	218,800	-	(135,148)
Total Governmental Activities		33,663,252	1,514,170	14,202,902	3,446,243	(14,499,937)
Business-Type Activities:						
Water		697,991	1,011,001	1,021	-	314,031
Sewer		706,319	928,489	502	-	222,672
Total Primary Government		\$ 35,067,562	\$ 3,453,660	\$ 14,204,425	\$ 3,446,243	(13,963,234)
General Revenues:						
Property taxes						12,153,702
Motor vehicle excise and other taxes						891,455
Penalties & Interest on taxes						64,073
Grants & Contributions not restricted to specific programs						1,860,724
Unrestricted investment income						10,519
Gain on Sale of Foreclosure Property						34,600
Miscellaneous						12,178
Contributions to permanent funds						1,200
Transfers, net						(206,493)
Total General Revenues, Contributions and Transfers						15,234,944
Change in Net Position						735,007
Net Position:						
Beginning of year						18,074,095
End of year						18,809,102
						\$ 23,000,447

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

**TOWN OF WARE MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Fund	Fire Station Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 3,628,761	\$ 188,483	\$ 578,294	\$ 4,395,538
Investments	358,471	-	244,732	603,203
Cash in Custody of Others	-	-	57,954	57,954
Receivables, net of allowance for uncollectibles:				
Property Taxes	331,315	-	-	331,315
Tax Liens	261,477	-	-	261,477
Excise Taxes	193,288	-	-	193,288
Departmental	-	-	181,654	181,654
Due from Other Governments	4,457,824	-	1,735,795	6,193,619
Total Assets	\$ 9,231,136	\$ 188,483	\$ 2,798,429	\$ 12,218,048
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Warrants and Accounts Payable	\$ 438,527	\$ 99,766	\$ 65,697	\$ 603,990
Accrued Payroll	719,015	-	192,919	911,934
Payroll Withholdings	50,501	-	-	50,501
Tax Refund Payable	5,000	-	-	5,000
Taxes Collected in Advance	127,448	-	-	127,448
Other	7,739	-	-	7,739
Deferred Revenue:				
Property Taxes	268,315	-	-	268,315
Other	4,831,404	-	800,402	5,631,806
Bond Anticipation Notes Payable	-	1,000,000	836,676	1,836,676
Total Liabilities	6,447,949	1,099,766	1,895,694	9,443,409
Fund Balance:				
Nonspendable	-	-	141,108	141,108
Restricted	-	-	891,779	891,779
Committed	-	-	71,447	71,447
Assigned	937,308	-	-	937,308
Unassigned	1,845,879	(911,283)	(201,599)	732,997
Total Fund Balance	2,783,187	(911,283)	902,735	2,774,639
Total Liabilities and Fund Balance	\$ 9,231,136	\$ 188,483	\$ 2,798,429	\$ 12,218,048

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, 2013**

	General Fund	Fire Station Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 12,128,274	\$ -	\$ -	\$ 12,128,274
Intergovernmental	11,619,943	2,917,865	3,530,770	18,068,578
Excise and Other Taxes	833,597	-	-	833,597
Licenses, Permits, Fees	514,266	-	-	514,266
Charges for Services	-	-	1,053,444	1,053,444
Interest on Taxes	64,073	-	-	64,073
Investment Income	10,519	-	863	11,382
Gifts and Donations	-	-	93,753	93,753
Other	-	-	29,809	29,809
Intergovernmental - "On-behalf" Payments	2,459,601	-	-	2,459,601
Total Revenues	27,630,273	2,917,865	4,708,639	35,256,777
Expenditures:				
Current:				
General Government	1,065,431	-	246,532	1,311,963
Public Safety	2,956,112	2,864,564	450,571	6,271,247
Public Works	1,018,162	-	534,922	1,553,084
Education	12,624,657	-	2,415,805	15,040,462
Health and Human Services	619,329	-	636,807	1,256,136
Culture and Recreation	303,849	-	590,609	894,458
Employee Benefits and Insurance	6,953,475	-	-	6,953,475
State Assessments	1,348,482	-	-	1,348,482
Debt Service:				
Principal	1,221,796	-	6,500	1,228,296
Interest	390,483	-	181	390,664
Total Expenditures	28,501,776	2,864,564	4,881,927	36,248,267
Excess of Revenues Over (Under) Expenditures	(871,503)	53,301	(173,288)	(991,490)
Other Financing Sources (Uses):				
Operating Transfers In	795,977	-	69,309	865,286
Operating Transfers Out	(69,309)	-	(589,484)	(658,793)
Sale of Foreclosure Property	34,600	-	-	34,600
Total Other Financing Sources (Uses)	761,268	-	(520,175)	241,093
Net Change in Fund Balances	(110,235)	53,301	(693,463)	(750,397)
Fund Balances, Beginning of Year	2,893,422	(964,584)	1,596,198	3,525,036
Fund Balances, End of Year	\$ 2,783,187	\$ (911,283)	\$ 902,735	\$ 2,774,639

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

TOWN OF WARE MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2013

Total Governmental Fund Balances		\$ 2,774,639
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		27,367,573
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		5,985,834
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	\$ (7,937,271)	
Other Post Employment Benefits Payable	(8,842,436)	
Compensated Absences	<u>(429,296)</u>	(17,209,003)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.		<u>(109,941)</u>
Net Position of Governmental Activities		<u><u>\$ 18,809,102</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, 2013

Net Change in Fund Balances - Total Governmental Funds \$ (750,397)

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	\$ 3,896,140	
Depreciation	<u>(1,391,733)</u>	2,504,407

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. (1,221,252)

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

Repayment of Debt and Lease Principal		1,282,948
---------------------------------------	--	-----------

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	36,966	
Net Change in Other Post Employment Benefits	(1,154,381)	
Net Change in Accrued Interest on Long-Term Debt	<u>36,716</u>	<u>(1,080,699)</u>

Change in Net Position of Governmental Activities \$ 735,007

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, 2013**

	Budgeted Amounts		Actual	Amounts	Variance with
	Original	Final	Budgetary	Carried	Final Budget
	Budget	Budget	Basis	Forward	Positive
				to Next Year	(Negative)
Revenues:					
Property Taxes	\$ 11,975,295	\$ 12,110,776	\$ 12,087,874	\$ -	\$ (22,902)
Intergovernmental	11,254,849	11,254,849	11,619,943	-	365,094
Excise and Other Taxes	849,000	849,000	833,597	-	(15,403)
Licenses, Permits, Fees	357,050	357,050	514,266	-	157,216
Interest on Taxes	70,000	70,000	64,073	-	(5,927)
Interest on Investments	8,000	8,000	9,084	-	1,084
Total Revenues	24,514,194	24,649,675	25,128,837	-	479,162
Expenditures:					
Current:					
General Government	1,148,166	1,188,671	1,065,431	64,138	59,102
Public Safety	2,768,784	3,010,266	2,956,112	23,730	30,424
Public Works	913,489	966,537	1,018,162	20,202	(71,827)
Education	12,563,634	12,739,417	12,624,657	107,079	7,681
Health and Human Services	632,120	640,836	619,329	15,977	5,530
Culture and Recreation	313,884	313,884	303,849	1,664	8,371
Employee Benefits and Insurance	4,583,964	4,611,464	4,518,506	-	92,958
State Assessments	1,419,177	1,419,177	1,348,482	-	70,695
Debt Service:					
Principal	1,369,710	1,302,441	1,221,796	-	80,645
Interest	381,810	381,810	365,851	-	15,959
Total Expenditures	26,094,738	26,574,503	26,042,175	232,790	299,538
Excess of Revenues Over					
(Under) Expenditures	(1,580,544)	(1,924,828)	(913,338)	(232,790)	778,700
Other Financing Sources (Uses):					
Operating Transfers In (Out)	892,023	829,754	770,914	-	(58,840)
Sale of Foreclosure Property	-	-	34,600	-	34,600
Total Other Financing Sources (Uses)	892,023	829,754	805,514	-	(24,240)
Excess (Deficiency) of Revenues and Other					
Financing Sources Over Expenditures and					
Other Financing Uses	(688,521)	(1,095,074)	(107,824)	(232,790)	754,460
Budgetary Fund Balance - Beginning of Year	2,286,302	2,286,302	2,286,302	-	-
Budgetary Fund Balance - End of Year	\$ 1,597,781	\$ 1,191,228	\$ 2,178,478	\$ (232,790)	\$ 754,460

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, 2013

	<u>Revenues</u>	<u>Expenditures</u>
Reported on a Budgetary Basis	\$ 25,128,837	\$ 26,042,175
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	1,435	-
Net Increase in Revenue from recording Refund Taxes Payable	36,400	-
Recognition of Intergovernmental Revenue - "on behalf payments"	2,459,601	-
Recognition of Expenditures - "on behalf payments"	-	2,459,601
Net Increase in Revenue from Recording 60-Day Receipts	4,000	-
Reported on a GAAP Basis	<u>\$ 27,630,273</u>	<u>\$ 28,501,776</u>

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

**TOWN OF WARE MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013**

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 665,862	\$ 361,909	\$ 1,027,771
User Charges, net of allowance for uncollectibles	124,027	138,054	262,081
Total current assets	789,889	499,963	1,289,852
NONCURRENT:			
Capital Assets, net of accumulated Depreciation			
Non-depreciable	326,700	343,967	670,667
Depreciable	3,346,334	595,207	3,941,541
Total noncurrent assets	3,673,034	939,174	4,612,208
Total Assets	4,462,923	1,439,137	5,902,060
LIABILITIES			
CURRENT:			
Warrants Payable	7,413	74,803	82,216
Accrued Payroll	4,815	4,478	9,293
Accrued Interest	11,190	356	11,546
Compensated Absences	10,677	6,622	17,299
Bond Anticipation Notes Payable	-	380,000	380,000
Bonds Payable	93,300	1,700	95,000
Total current liabilities	127,395	467,959	595,354
NONCURRENT:			
Compensated Absences	16,558	10,273	26,831
OPEB Obligation Payable	144,073	114,457	258,530
Bonds Payable	806,200	23,800	830,000
Total noncurrent liabilities	966,831	148,530	1,115,361
Total Liabilities	1,094,226	616,489	1,710,715
NET POSITION:			
Net Investment in Capital Assets	2,773,534	533,674	3,307,208
Restricted for Capital	47,815	2,734	50,549
Unrestricted	547,348	286,240	833,588
Total Net Position	\$ 3,368,697	\$ 822,648	\$ 4,191,345

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 NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 998,834	\$ 924,967	\$ 1,923,801
Other	12,167	3,522	15,689
Total Operating Revenues	1,011,001	928,489	1,939,490
Operating Expenses:			
Salaries & Wages	233,928	231,489	465,417
Operating Expenses	322,550	455,585	778,135
Depreciation	102,745	18,151	120,896
Total Operating Expenses	659,223	705,225	1,364,448
Operating Income (Loss)	351,778	223,264	575,042
Non-Operating Revenues (Expenses):			
Investment Income	1,021	502	1,523
Interest Expense	(38,768)	(1,094)	(39,862)
Total Non-Operating Revenues (Expenses)	(37,747)	(592)	(38,339)
Income (Loss) Before Operating Transfers	314,031	222,672	536,703
Operating Transfers:			
Transfer In (Out)	(89,428)	(117,065)	(206,493)
Total Operating Transfers	(89,428)	(117,065)	(206,493)
Change in Net Position	224,603	105,607	330,210
Net Position at Beginning of Year	3,144,094	717,041	3,861,135
Net Position at End of Year	\$ 3,368,697	\$ 822,648	\$ 4,191,345

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, 2013**

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 993,114	\$ 918,608	\$ 1,911,722
Receipts from Other Revenues	12,167	3,522	15,689
Payments to Vendors	(306,593)	(453,344)	(759,937)
Payments to Employees	(242,846)	(235,456)	(478,302)
Net Cash Provided by (Used for) Operating Activities	455,842	233,330	689,172
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) Other Funds	(89,428)	(117,065)	(206,493)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(89,428)	(117,065)	(206,493)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from the Issuance of Bonds and Notes	-	280,000	280,000
Acquisition and Construction of Capital Assets	(40,836)	(266,271)	(307,107)
Principal Payments on Bonds and Notes	(93,300)	(1,700)	(95,000)
Interest Expense	(39,981)	(1,060)	(41,041)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(174,117)	10,969	(163,148)
Cash Flows from Investing Activities:			
Investment Income	1,021	502	1,523
Net Cash Provided by (Used for) Investing Activities	1,021	502	1,523
Net Increase (Decrease) in Cash and Cash Equivalents	193,318	127,736	321,054
Cash and Cash Equivalents at Beginning of Year	472,544	234,173	706,717
Cash and Cash Equivalents at End of Year	\$ 665,862	\$ 361,909	\$ 1,027,771

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

Operating Income (Loss)	\$ 351,778	\$ 223,264	\$ 575,042
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	102,745	18,151	120,896
Change in Assets and Liabilities:			
Increase (Decrease) in Warrants Payable	(4,994)	(3,905)	(8,899)
Increase (Decrease) in Accrued Payroll	842	503	1,345
Increase (Decrease) in Compensated Absences	(9,760)	(4,470)	(14,230)
Increase (Decrease) in OPEB Obligation Payable	20,951	6,146	27,097
Decrease (Increase) in User Charges	(5,720)	(6,359)	(12,079)
Total Adjustments	104,064	10,066	114,130
Net Cash Provided by (Used for) Operating Activities	\$ 455,842	\$ 233,330	\$ 689,172

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

**TOWN OF WARE MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013**

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 60,450	\$ 150,395
Investments	188,676	-
Total Assets	249,126	150,395
LIABILITIES		
Warrants Payable	-	1,797
Due to Students Groups	-	64,175
Due to Others	-	458
Escrows and Deposits	-	83,965
Total Liabilities	-	150,395
NET POSITION:		
Held in Trust for Scholarships and Other Purposes	\$ 249,126	\$ -

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 POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Private Purpose Trust Funds</u>
Additions:	
Investment Income	\$ 967
Total Additions	<u>967</u>
Deductions:	
Educational Scholarships	<u>5,294</u>
Total Deductions	<u>5,294</u>
Change in Net Position	<u>(4,327)</u>
Net Position at Beginning of Year	<u>253,453</u>
Net Position at End of Year	<u><u>\$ 249,126</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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2013, it was determined that no entities met the required GASB-39 and GASB-61 criteria for component units.

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

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

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

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

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements (e.g., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements

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

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

Major 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.

Proprietary and fiduciary funds are reported by fund type.

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

Government-wide financial statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are 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.

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

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

Fund financial statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The Town reports the following major governmental funds:

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

The *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 funds:

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.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Additionally, the Town reports the following fund types:

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

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

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

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

D. Cash and Cash Equivalents

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

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

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

Investment income from proprietary funds is maintained in those funds.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

All investments are carried at fair value.

F. Receivables

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

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Property Taxes, Tax Liens and Tax Possessions

Property taxes are based on assessments as of January 1, 2012 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 2013 on June 18, 2012, that were due on August 1, 2012 and November 1, 2012 and actual bills on December 27, 2012 and March 27, 2013 that were due on February 1, 2013 and May 1, 2013.

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 2013 is as follows:

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2013	\$ 12,214,650
Add: Debt Exclusion	52,482
	<u>\$ 12,267,132</u>

The total amount raised by taxation was \$12,260,776.

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

Excise Taxes

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

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

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

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.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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:

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.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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 Position and Fund Balances

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

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

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

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

"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

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

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

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

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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 position.

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.

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.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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 2013, the Town incurred a final budget deficit of \$1,095,074 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	\$ 888,003
Prior Year's Encumbrances	214,600
Reserved for Deficits	(7,529)
	<u>\$ 1,095,074</u>

B. Deficit Fund Balances

The following funds had deficits at June 30, 2013 as measured by the balances of unreserved fund balance.

- The fire station construction fund has a deficit of \$911,283. The Town has bond anticipation notes outstanding of \$1,000,000 for this project. The deficit will be eliminated upon the receipt of additional funds and upon the issuance of permanent debt.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

- The Department of Public Works equipment fund, a capital projects account, has a deficit of \$145,119. The Town has two bond anticipation notes outstanding totaling \$145,118 and additional debt authorizations for this equipment. The deficit will be eliminated upon issuance of permanent debt.
- The Grenville Park bandstand repair capital projects account has a deficit of \$10,000. The Town currently has bond anticipation notes outstanding of \$7,000 and additional debt authorizations for the project. The deficit will be eliminated upon issuance of permanent debt.
- The police vehicle capital projects account has a deficit of \$40,000. The Town has bond anticipation notes outstanding of \$40,000 for this vehicle. The deficit will be eliminated upon issuance of permanent debt.
- The Town Hall roof repairs capital projects account has a deficit of \$6,480. The Town has bond anticipation notes outstanding totaling \$8,000 for this project. The deficit will be eliminated upon issuance of permanent debt.

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, 2013 were \$6,365,758. Of these, \$1,885,127 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.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

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

The Town will utilize U. S. Treasury and Government agency securities for reasons of diversification and security. Treasury securities will be purchased either at auction or through the registered dealers. The definition of agency securities will include instrumentalities, but will be limited to discount notes and variable rate notes. Coupon securities may be purchased on the secondary market as long as the remaining maturity is less than one year.

As of June 30, 2013, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. Treasury	\$ 57,985	\$ -	\$ 57,985
U. S. government agencies	52,090	1,773	50,317
Bond mutual funds	72,290	72,290	-
Corporate bonds	111,663	20,626	91,037
Money market mutual fund	70,611	70,611	-
	<u>364,639</u>	<u>\$ 165,300</u>	<u>\$ 199,339</u>
Other Investments:			
Certificates of deposit	341,007		
MMDT	86,233		
	<u>\$ 791,879</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 \$791,879 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.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Credit Risk

The Town's exposure to credit risk as of June 30, 2013 is as follows:

Related Debt Instruments	Fair Value	Moody's Quality Rating				Not Rated
		Aaa	A1	A3	Baa1	
Debt Securities:						
U. S. Treasury	\$ 57,985	\$ 57,985	\$ -	\$ -	\$ -	\$ -
U. S. government agencies	52,090	52,090	-	-	-	-
Bond mutual fund	72,290	72,290	-	-	-	-
Corporate bond	111,663	-	51,339	39,698	20,626	-
Money market mutual fund	70,611	-	-	-	-	70,611
	<u>\$ 364,639</u>	<u>\$ 182,365</u>	<u>\$ 51,339</u>	<u>\$ 39,698</u>	<u>\$ 20,626</u>	<u>\$ 70,611</u>

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are Federal National Mortgage Association, AT&T, Inc. and General Electric Capital Corp Mountain amounting to 6.57%, 5.01% and 6.48%, respectively, of the Town's total investments.

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

B. Receivables

At June 30, 2013, 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	\$ 332,815	\$ (1,500)	\$ 331,315
Tax liens	261,477	-	261,477
Excise taxes	233,368	(40,080)	193,288
Departmental	222,406	(40,752)	181,654
Due from other governments	6,193,619	-	6,193,619
	<u>\$ 7,243,685</u>	<u>\$ (82,332)</u>	<u>\$ 7,161,353</u>

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

At June 30, 2013, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water Fund:			
User charges	\$ 107,809	\$ (500)	\$ 107,309
Liens	16,508	-	16,508
Other	210	-	210
	<u>124,527</u>	<u>(500)</u>	<u>124,027</u>
Sewer Fund:			
User charges	100,079	(500)	99,579
Liens	14,475	-	14,475
Other	24,000	-	24,000
	<u>138,554</u>	<u>(500)</u>	<u>138,054</u>
Total business-type activities	<u>\$ 263,081</u>	<u>\$ (1,000)</u>	<u>\$ 262,081</u>

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

The composition of amounts due from other governments as of June 30, 2013 for governmental funds is as follows:

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

School Building Authority:		
School building assistance - Capital portion	\$ 4,151,493	
Department of Elementary and Secondary Education:		
Homeless Transportation	28,294	
Department of Veterans Services:		
Veterans services	278,037	\$ 4,457,824

Nonmajor Governmental Funds:

U. S. Department of Agriculture:

School lunch	73,879
--------------	--------

U. S. Department of Education:

School title grants	200,246
---------------------	---------

U. S. Department of Transportation:

Federal Highway Administration	394,023
--------------------------------	---------

Commonwealth of Massachusetts:

Department of Elementary and Secondary Education:		
School lunch	1,614	
Special education reimbursement fund	76,645	
Department of Environmental Protection		
Water conservation grant	1,700	
Executive Office of Public Safety and Homeland Security:		
Public safety grants	51,081	
Massachusetts Emergency Management Agency:		
February 2013 snow storm	31,308	
Emergency management planning grant	2,900	
Massachusetts Department of Transportation:		
Highway Department - Chapter 90 funds	902,399	1,735,795
		<u>\$ 6,193,619</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, 2013 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 \$268,315.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

General Fund:			
Tax liens	\$	261,477	
Excise taxes		193,288	
Due from other governments		<u>4,376,639</u>	\$ 4,831,404
Nonmajor Governmental Funds:			
Departmental		151,606	
Due from other governments		<u>648,796</u>	800,402
			<u>\$ 5,631,806</u>

C. Capital Assets

Capital asset activities for the year ended June 30, 2013, are as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,394,101	\$ 121,641	\$ -	\$ 2,515,742
Construction in progress	4,205,399	3,361,034	-	7,566,433
Total capital assets not being depreciated	6,599,500	3,482,675	-	10,082,175
Capital assets being depreciated:				
Buildings and Renovations	23,371,017	-	-	23,371,017
Machinery, equipment and other	4,783,254	405,143	(122,467)	5,065,930
Infrastructure	6,364,675	8,322	-	6,372,997
Total capital assets being depreciated	34,518,946	413,465	(122,467)	34,809,944
Less accumulated depreciation for:				
Buildings and Renovations	11,588,555	917,756	-	12,506,311
Machinery, equipment and other	3,127,202	281,975	(122,467)	3,286,710
Infrastructure	1,539,523	192,002	-	1,731,525
Total accumulated depreciation	16,255,280	1,391,733	(122,467)	17,524,546
Total capital assets being depreciated, net	18,263,666	(978,268)	-	17,285,398
Total governmental activities capital assets, net	\$ 24,863,166	\$ 2,504,407	\$ -	\$ 27,367,573

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Business-type activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 393,400	\$ -	\$ -	\$ 393,400
Construction in progress	59,750	324,227	(106,710)	277,267
Total capital assets not being depreciated	453,150	324,227	(106,710)	670,667
Capital assets being depreciated:				
Buildings and Renovations	-	106,710	-	106,710
Machinery, equipment and other	-	40,836	-	40,836
Infrastructure	4,864,372	-	-	4,864,372
Total capital assets being depreciated	4,864,372	147,546	-	5,011,918
Less accumulated depreciation for:				
Buildings and Renovations	-	2,668	-	2,668
Machinery, equipment and other	-	4,084	-	4,084
Infrastructure	949,481	114,144	-	1,063,625
Total accumulated depreciation	949,481	120,896	-	1,070,377
Total capital assets being depreciated, net	3,914,891	26,650	-	3,941,541
Total governmental activities capital assets, net	\$ 4,368,041	\$ 350,877	\$ (106,710)	\$ 4,612,208

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

Governmental Activities:

General government	\$ 9,383
Public safety	215,785
Public works	224,431
Education	826,978
Health and Human Services	79,566
Culture and recreation	35,590
Total depreciation expense - governmental activities	<u>\$ 1,391,733</u>

Business-type Activities

Sewer	\$ 18,151
Water	102,745
Total depreciation expense - business-type activities	<u>\$ 120,896</u>

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2013, are summarized below:

Transfers Out:	Transfers In:		
	General fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 69,309	\$ 69,309
Nonmajor governmental funds	589,484	-	589,484
Business-type funds	206,493	-	206,493
Total transfers out	<u>\$ 795,977</u>	<u>\$ 69,309</u>	<u>\$ 865,286</u>

E. Leases

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

The assets acquired through the capital leases are as follows:

Asset:	Governmental Activities
Machinery, Equipment and Other	\$ 429,361
Less: Accumulated Depreciation	(306,147)
Total	<u>\$ 123,214</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, are as follows:

Year Ending June 30,	Governmental Activities
2014	\$ 64,127
2015	64,127
2016	29,336
2017	29,336
2018	29,336
Total minimum lease payments	<u>216,262</u>
Less: amount representing interest	<u>(17,700)</u>
Present value of minimum lease payments	<u>\$ 198,562</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

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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, 2012	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2013
Bond Anticipation Notes:						
October 2011 snow storm	0.70%	8/1/2012	888,973	-	888,973	-
October 2011 snow storm	0.50%	2/1/2013	-	888,973	888,973	-
Fire station construction	0.65%	2/22/2013	500,000	-	500,000	-
Fire station construction	0.50%	2/22/2013	500,000	-	500,000	-
Fire station construction	0.50%	6/20/2013	-	1,000,000	1,000,000	-
October 2011 snow storm	0.50%	8/1/2013	-	359,558	-	359,558
Fire station construction	0.59%	6/6/2014	-	1,000,000	-	1,000,000
Band stand renovations	0.59%	6/6/2014	-	7,000	-	7,000
DPW street sweeper	0.59%	6/6/2014	-	100,500	-	100,500
DPW chipper	0.59%	6/6/2014	-	44,618	-	44,618
Police vehicle	0.59%	6/6/2014	-	40,000	-	40,000
Town Hall roof repairs	0.59%	6/6/2014	-	8,000	-	8,000
State Anticipation Notes:						
Highway - Chapter 90	0.45%	9/19/2012	125,000	-	125,000	-
Highway - Chapter 90	0.50%	10/1/2013	-	277,000	-	277,000
			\$ 2,013,973	\$ 3,725,649	\$ 3,902,946	\$ 1,836,676

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

Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2012	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2013
Sewer Fund:						
Bond Anticipation Notes:						
WWTP Influent pumps	0.50%	2/22/2013	\$ 100,000	\$ -	\$ 100,000	\$ -
WWTP Influent pumps	0.50%	6/20/2013	-	100,000	100,000	-
WWTP Influent pumps	0.59%	6/6/2014	-	100,000	-	100,000
WWTP construction	0.59%	6/6/2014	-	280,000	-	280,000
			\$ 100,000	\$ 480,000	\$ 200,000	\$ 380,000

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 both governmental and business-type activities.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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, 2013
Inside Debt:					
Police Station	4.75%	9/8/2000	9/8/2019	\$ 500,000	\$ 175,000
Land Acquisition	4.89%	9/1/1999	9/1/2014	110,000	10,000
PVPC-Brownfield Clean up	2.00%	7/1/2006	7/1/2014	120,000	87,999
Departmental Equipment	3.66%	3/15/2008	3/15/2022	980,000	585,000
Veteran's Park	3.68%	3/15/2008	3/15/2022	185,000	110,000
Town Hall Boiler Replacement	3.74%	3/15/2008	3/15/2025	87,000	60,000
Senior Center	3.78%	3/15/2008	3/15/2027	852,000	625,000
Road Repairs	3.67%	3/15/2008	3/15/2018	100,400	50,000
Refunding Loan of 2011:					
Roof Replacement - Police	0.50%	5/31/2013	5/30/2014	47,305	47,305
Roof Replacement - Highway	0.50%	5/31/2013	5/30/2014	64,930	57,130
Road Reconstruction	0.50%	5/31/2013	5/30/2014	39,375	26,375
Massachusetts Water Pollution Abatement Trust:					
Landfill Capping - WPAT	N/A	12/9/1998	8/1/2018	906,800	329,900
Total Inside Debt					<u>2,163,709</u>
Outside Debt:					
School Building Refunding	3.77%	12/15/2005	9/1/2018	8,640,000	5,575,000
Total Outside Debt					<u>5,575,000</u>
Total governmental type debt					<u>\$ 7,738,709</u>

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

Governmental	Principal	Interest	Total
2014	\$ 1,340,572	\$ 290,945	\$ 1,631,517
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	1,137,400	90,386	1,227,786
2019-2023	1,529,100	109,385	1,638,485
2024-2028	185,000	17,800	202,800
	<u>\$ 7,738,709</u>	<u>\$ 1,066,236</u>	<u>\$ 8,804,945</u>

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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, 2013
Sewer Fund:					
Inside Debt:					
Municipal purpose loan of 2008:					
Sewer lines repairs	3.80%	3/15/2008	3/15/2028	\$ 33,600	\$ 25,500
Water Fund:					
Outside Debt:					
Municipal purpose loan of 2008:					
Water	4.93%	9/1/1999	9/1/2016	1,184,400	140,000
Municipal purpose loan of 2008:					
Water control facility	3.80%	3/15/2008	3/15/2028	831,000	635,000
Water line repairs	3.80%	3/15/2008	3/15/2028	167,000	124,500
Total Inside Debt					<u>899,500</u>
Total Business-type Debt					<u>\$ 925,000</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, 2013, are as follows:

Business-Type	Principal	Interest	Total
2014	\$ 95,000	\$ 37,150	\$ 132,150
2015	95,000	32,424	127,424
2016	75,000	28,893	103,893
2017	75,000	25,186	100,186
2018	50,000	22,642	72,642
2019-2023	275,000	83,185	358,185
2024-2028	260,000	30,600	290,600
	<u>\$ 925,000</u>	<u>\$ 260,080</u>	<u>\$ 1,185,080</u>

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due within One Year
Governmental activities:					
<i>Bond Payable:</i>					
General obligation bonds	\$ 8,611,005	\$ -	\$ 1,202,196	\$ 7,408,809	\$ 1,289,572
Massachusetts Water Pollution Abatement Trust bonds	356,000	-	26,100	329,900	51,000
<i>Leases payable</i>	253,214	-	54,652	198,562	56,831
<i>OPEB obligation payable</i>	7,688,055	1,154,381	-	8,842,436	-
<i>Compensated absences</i>	466,262	-	36,966	429,296	90,250
Governmental activity					
Long-term liabilities	<u>\$ 17,374,536</u>	<u>\$ 1,154,381</u>	<u>\$ 1,319,914</u>	<u>\$ 17,209,003</u>	<u>\$ 1,487,653</u>
Business type activities:					
<i>Bond Payable:</i>					
General obligation bonds	\$ 1,020,000	\$ -	\$ 95,000	\$ 925,000	\$ 95,000
<i>OPEB obligation payable</i>	231,433	27,097	-	258,530	-
<i>Compensated absences</i>	58,360	-	14,230	44,130	17,299
Business-type activity					
Long-term liabilities	<u>\$ 1,309,793</u>	<u>\$ 27,097</u>	<u>\$ 109,230</u>	<u>\$ 1,227,660</u>	<u>\$ 112,299</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, 2013 for principal and interest combined for the loan is \$376,768. The net repayments, including interest, are scheduled to be \$254,811. The principal subsidies are guaranteed and therefore \$85,713 has been reported as an intergovernmental receivable 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 2013 principal and interest subsidies totaled \$24,632.

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, 2013 totaled \$2,189,209.

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."

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

The following is a computation of the legal debt limit as of June 30, 2013:

Equalized Valuation-Real Estate and Personal Property (2012)		\$ 795,704,500
Debt Limit: 5 % of Equalized value		\$ 39,785,225
Total Debt Outstanding	\$ 8,663,709	
Less: Debt Outside Debt Limit	(6,474,500)	2,189,209
Inside Debt Excess Borrowing Capacity at June 30, 2013		\$ 37,596,016

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, 2013 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	80,000
12/13/2011	October 2011 Snow Storm Emergency	529,415
5/4/2012	Road repairs in anticipation of Chapter 90 receipts	164,341
8/12/2012	Wastewater Treatment Plant improvements	720,000
11/19/2012	Grenville Park band stand repairs	105,000
11/19/2012	Highway street sweeper	15,006
11/19/2012	Highway wood chipper	5,382
11/19/2012	Town Hall windows	24,327
11/19/2012	Police Station windows	20,000
11/19/2012	Town Hall roof repairs	22,000
11/19/2012	WWTP influent pump	20,000
11/19/2012	WWTP repair of disinfection system	20,000
		<u>\$ 1,925,471</u>

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

H. Fund Balances

The following is a summary of the Governmental Fund fund balances of the Town ended June 30, 2013:

	General Fund	Fire Station Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Cemetery permanent funds	\$ -	\$ -	\$ 141,108	\$ 141,108
Restricted:				
Federal, state and local grants	-	-	364,286	364,286
School revolving funds	-	-	270,724	270,724
Town revolving funds	-	-	48,727	48,727
Donations and gifts	-	-	73,831	73,831
Insurance reimbursements	-	-	5,535	5,535
Capital projects funds	-	-	14,994	14,994
Permanent funds	-	-	88,778	88,778
Other	-	-	24,904	24,904
	-	-	891,779	891,779
Committed:				
Federal, state and local grants	-	-	34,465	34,465
Ambulance	-	-	36,982	36,982
	-	-	71,447	71,447
Assigned:				
General government	64,138	-	-	64,138
Public safety	23,730	-	-	23,730
Public works	20,202	-	-	20,202
Education	107,079	-	-	107,079
Health and human services	15,977	-	-	15,977
Culture and recreation	1,664	-	-	1,664
Fiscal year 2014 budget	704,518	-	-	704,518
	937,308	-	-	937,308
Unassigned:				
General Fund	1,845,879	-	-	1,845,879
Capital projects funds	-	(911,283)	(201,599)	(1,112,882)
	1,845,879	(911,283)	(201,599)	732,997
Total Governmental Fund Balances	\$ 2,783,187	\$ (911,283)	\$ 902,735	\$ 2,774,639

I. Special Trust Funds

Stabilization Funds

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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, 2013, the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 274,471
Capital stabilization fund	<u>272,238</u>
	<u>\$ 546,709</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, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2013.

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, 2013

Plan Description

In addition to providing pension benefits as described on the following footnote, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. As of the actuarial valuation date there are approximately 407 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2013 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$911,970.

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	\$ 2,551,145
Amortization of unfunded actuarial accrued liability	<u>(440,369)</u>
Annual required contribution	2,110,776
Interest on net OPEB obligation	316,779
Adjustment to annual required contribution	<u>(334,107)</u>
Annual OPEB cost (expense)	2,093,448
Contributions made during the fiscal year	<u>911,970</u>
Increase in net OPEB obligation	1,181,478
Net OPEB Obligation - beginning of year	7,919,488
Net OPEB Obligation - end of year	<u><u>\$ 9,100,966</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 2013 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 2,807,218	31.8%	\$ 5,887,593
6/30/2012	\$ 2,957,819	31.3%	\$ 7,919,488
6/30/2013	\$ 2,093,448	43.6%	\$ 9,100,966

Funded Status and Funding Process

As of July 1, 2012, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$21,842,706, and the actuarial value of assets was 0.0 million, resulting in an unfunded

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

actuarial accrued liability (UAAL) of \$21,842,706. As indicated in the actuarial valuation the covered payroll (annual payroll of active employees covered by the plan) was \$13,097,348 and the ratio of the UAAL to the covered payroll was 166.80%.

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)
7/1/2010	\$ -	\$ 23,919,877	\$ 23,919,877	0%	\$12,474,297	191.75%
7/1/2011	\$ -	\$ 25,191,035	\$ 25,191,035	0%	\$13,035,640	193.25%
7/1/2012	\$ -	\$ 21,842,706	\$ 21,842,706	0%	\$13,097,348	166.80%

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, 2012 used the projected unit credit actuarial cost method. The OPEB liability is currently unfunded and the actuarial assumptions include a 4.0% rate of return on invested assets and 3.0% salary increases per year. The actuarial assumptions also include healthcare trend rates of 5.0% in both 2014 and 2015 to an ultimate level of 5% per year.

The initial unfunded actuarial accrued liability is being amortized over 30 years on an open basis.

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 \$2,434,969 for the fiscal year ending June 30, 2013, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

The Town has approximately 183 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 1987 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, 2013, 2012, and 2011 is shown below, which equaled its required contribution for each fiscal year.

Fiscal Year Ended June 30	Town's Contribution
2013	\$ 1,227,906
2012	\$ 1,186,846
2011	\$ 1,076,820

The last actuarial valuation was prepared by Stone Consulting, Inc. as of January 1, 2012. 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 7.875% compounded annually, (b) projected salary, including longevity, increases of 4.0% per year ultimate for Group 1&2 and 4.5% per year ultimate for Group 4 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 \$163,394,422. The Town's portion of such liability is approximately 8.26% or \$13,496,379.

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, 2013

	Fund Balances July 1, 2012	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2013
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 328,062	\$ 935,781	\$ 1,189,226	\$ (5,925)	\$ 68,692
Arts Lottery Council Grant	4,255	4,116	3,551	-	4,820
Board of Health Emergency Preparedness Grant	4,286	-	609	-	3,677
Clean Energy Choice Grant	515	-	-	-	515
Community Development Block Grants	344,469	1,261,787	1,359,214	-	247,042
Council on Aging Grants	526	13,936	13,207	-	1,255
Disaster Damage Recovery	(96,272)	94,776	31,308	67,269	34,465
Extended Polling Hours	-	2,341	2,341	-	-
Highway Grants	3,302	253,603	256,905	-	-
Library Grants	23,099	11,326	11,614	-	22,811
Public Safety Grants	12,638	209,268	206,431	-	15,475
Schools:					
School Lunch Revolving	95,508	523,068	533,977	-	84,599
School Lunch Commodities	-	64,262	64,262	-	-
School Choice	248,251	138,384	218,776	-	167,859
School Revolving Accounts	30,309	75,242	87,285	-	18,266
State Special Education Reimbursement Fund	40,885	262,742	303,627	-	-
Other:					
Ambulance	79,975	515,099	-	(558,092)	36,982
Council on Aging Center Rental Revolving	3,585	2,035	1,691	-	3,929
Drug Forfeiture	77	678	300	-	455
Gifts and Donations	65,173	93,829	84,631	(540)	73,831
Insurance Reimbursements	43,001	-	13,241	(24,225)	5,535
Police Outside Duty	-	187,475	187,475	-	-
Recreation Revolving	8,950	18,074	22,742	-	4,282
Sale of Cemetery Lots	9,731	819	-	-	10,550
School Rail Fund	2,798	-	-	-	2,798
Septic Repair Loan Repayments	38,949	-	-	-	38,949
Quabbin 75th Anniversary	-	10,000	8,433	-	1,567
Water/Sewer Development	5,666	11	-	-	5,677
Municipal Insurance Fund	5,418	5	-	-	5,423
Total Special Revenue Funds	\$ 1,303,156	\$ 4,678,657	\$ 4,600,846	\$ (521,513)	\$ 859,454

TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Fund Balances July 1, 2012	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2013
Capital Projects:					
Department of Public Works Equipment	\$ -	\$ -	204,613	\$ 59,494	\$ (145,119)
Goldstein Property	998	-	-	-	998
Grenville Park Bandstand Repair	-	-	10,000	-	(10,000)
Landfill Closure	1,673	-	-	(1,673)	-
Palmer Road/Beaver Lake Project	5,826	-	-	-	5,826
Police Vehicle	-	-	40,000	-	(40,000)
Public Works Economic Development Grant	24,417	-	-	(24,417)	-
Senior Center Projects	9,219	-	-	(8,908)	311
Snows Pond Dam Construction	13,310	-	-	(13,310)	-
South Street Construction	11,901	-	-	(11,521)	380
Town Hall Window Replacements	-	-	-	1,673	1,673
Town Hall Roof Repairs	-	-	6,480	-	(6,480)
Underground Storage Tank Removal School	5,806	-	-	-	5,806
Total Capital Projects	73,150	-	261,093	1,338	(186,605)

Perpetual Permanent Funds:					
Cemetery Perpetual Care Funds:					
Aspen Grove Fund	119,307	1,200	-	-	120,507
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	139,908	1,200	-	-	141,108

Permanent Funds:					
Cemetery Perpetual Care Funds:					
Aspen Grove Fund	2,575	2,969	1,200	-	4,344
George L. Draper Fund	(42)	(57)	-	-	(99)
Susan Connell Fund	239	(27)	-	-	212
Permanent Funds page 52	\$ 2,772	\$ 2,885	\$ 1,200	\$ -	\$ 4,457

TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Fund Balances July 1, 2012	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2013
Continued from page 52	\$ 2,772	\$ 2,885	\$ 1,200	\$ -	\$ 4,457
Permanent Funds (continued):					
Helen Handanian Fund	1,471	300	300	-	1,471
Reed Memorial Fund	5,643	5,329	6,263	-	4,709
Josephine Wood Fund	1,162	5	-	-	1,167
Mary Packard Fund	1,080	3	85	-	998
Donald Sherman Fund	689	2	-	-	691
Gilbert Grenville Park Fund	56,219	13,600	6,681	-	63,138
Reed Swimming Pool Fund	10,948	6,658	5,459	-	12,147
Total Permanent Funds	79,984	28,782	19,988	-	88,778
Total - Non-Major Governmental Funds	\$ 1,596,198	\$ 4,708,639	\$ 4,881,927	\$ (520,175)	\$ 902,735

TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY, SUPPLEMENTAL AND ROLLBACK TAXES
JULY 1, 2012 TO JUNE 30, 2013

	Uncollected Taxes July 1, 2012	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2013	Uncollected Taxes Per Detail June 30, 2013
Real Estate Taxes:						
Levy of 2013	\$ -	\$ 11,878,088	\$ 138,588	\$ 11,446,998	\$ 292,502	\$ 292,502
Levy of 2012	202,376	-	42,186	151,062	9,128	8,867
Levy of 2011	10,966	-	1,870	9,096	-	-
Levy of 2010	69	-	-	69	-	-
	<u>213,411</u>	<u>11,878,088</u>	<u>182,644</u>	<u>11,607,225</u>	<u>301,630</u>	<u>301,369</u>
Personal Property Taxes:						
Levy of 2013	-	382,674	-	368,999	13,675	13,653
Levy of 2012	15,208	-	-	4,092	11,116	11,116
Levy of 2011	3,105	-	-	1,826	1,279	1,279
Levy of 2010	2,701	-	-	-	2,701	2,701
Levy of 2009	2,124	-	37,262	(36,682)	1,544	1,544
Prior Years	6,243	-	6,243	-	-	-
	<u>29,381</u>	<u>382,674</u>	<u>43,505</u>	<u>338,235</u>	<u>30,315</u>	<u>30,293</u>
Supplemental Taxes	<u>997</u>	<u>2,151</u>	<u>-</u>	<u>2,278</u>	<u>870</u>	<u>870</u>
Rollback Taxes	<u>-</u>	<u>176</u>	<u>-</u>	<u>176</u>	<u>-</u>	<u>-</u>
Total Real Estate, Personal Property, Supplemental and Rollback Taxes	<u>\$ 243,789</u>	<u>\$ 12,263,089</u>	<u>\$ 226,149</u>	<u>\$ 11,947,914</u>	<u>\$ 332,815</u>	<u>\$ 332,532</u>

TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE, FARM ANIMAL EXCISE AND BOAT EXCISE TAXES
JULY 1, 2012 TO JUNE 30, 2013

	Uncollected Taxes July 1, 2012	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2013	Uncollected Taxes Per Detail June 30, 2013
Motor Vehicle Excise Taxes:						
Levy of 2013	\$ -	\$ 829,949	\$ 16,349	\$ 692,218	\$ 121,382	\$ 121,382
Levy of 2012	67,036	72,915	10,258	106,871	22,822	22,822
Levy of 2011	19,993	-	172	9,718	10,103	10,103
Levy of 2010	10,154	96	-	2,855	7,395	7,395
Levy of 2009	11,220	-	-	2,617	8,603	8,603
Prior Years	62,307	24	-	1,799	60,532	60,541
	<u>170,710</u>	<u>902,984</u>	<u>26,779</u>	<u>816,078</u>	<u>230,837</u>	<u>230,846</u>
Farm Animal Excise Taxes	<u>1,932</u>	<u>2,243</u>	<u>-</u>	<u>2,065</u>	<u>2,110</u>	<u>2,110</u>
Boat Excise Taxes	<u>348</u>	<u>2,530</u>	<u>31</u>	<u>2,426</u>	<u>421</u>	<u>421</u>
Total Motor Vehicle Excise, Farm Animal Excise, and Boat Excise Taxes	<u>\$ 172,990</u>	<u>\$ 907,757</u>	<u>\$ 26,810</u>	<u>\$ 820,569</u>	<u>\$ 233,368</u>	<u>\$ 233,377</u>

TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2012 TO JUNE 30, 2013

	Uncollected Accounts July 1, 2012	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2013	Uncollected Accounts Per Detail June 30, 2013
Tax Liens	\$ 272,212	\$ 148,908	\$ -	\$ 159,643	\$ 261,477	\$ 261,477

TOWN OF WARE, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2013

<p style="text-align: center;">TOWN OF WARE, MASSACHUSETTS SINGLE AUDIT TABLE OF CONTENTS</p>
--

	<u>PAGE</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	1-2
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	3-5
Schedule of Expenditures of Federal Awards	6-8
Notes to the Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	10
Summary Schedule of Current Audit Findings	11-12
Summary Schedule of Prior Audit Findings	13

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

To the Honorable Board of Selectmen
Town of Ware, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ware, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Ware, Massachusetts' basic financial statements, and have issued our report thereon dated March 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Ware, Massachusetts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ware, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Ware, Massachusetts' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ware, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with

which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Scanlon + Associates, LLC
Scanlon & Associates, LLC
South Deerfield, Massachusetts

March 12, 2014

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

To the Honorable Board of Selectmen
Town of Ware, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Town of Ware, Massachusetts' compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Ware, Massachusetts' major federal programs for the year ended June 30, 2013. The Town of Ware, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on U. S. Department of Education – Special Education Grants (CFDA No. 84.027)

As described in the accompanying schedule of findings and questioned costs, the Town of Ware, Massachusetts, did not comply with requirements regarding CFDA 84.027 - U. S. Department of Education – Special Education Grants, as described in findings numbers 2013-1 and 2013-2 for Allowable Costs/Cost Principles and Period of Availability of Federal Funds. Compliance with such requirements is necessary, in our opinion, for the Town of Ware, Massachusetts, to comply with the requirements applicable to that program.

Qualified Opinion on U. S. Department of Education – Special Education Grants (CFDA No. 84.027)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Town of Ware, Massachusetts, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.027 - U. S. Department of Education – Special Education Grants for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Town of Ware, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect of each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Report on Internal Control Over compliance

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

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


Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2 that we consider to be significant deficiencies.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ware, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Ware, Massachusetts' basic financial statements. We issued our report thereon dated March 12, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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


Scanlon & Associates, LLC
South Deerfield, Massachusetts

March 12, 2014

**TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
U. S. Department of Agriculture			
Passed Through Commonwealth of Massachusetts			
Department of Elementary and Secondary Education:			
Child Nutrition Cluster:			
School Breakfast Program	08-309	10.553	\$ 64,825
National School Lunch Program	08-309	10.555	284,931
Summer Food Service Program for Children	08-309	10.559	9,732
Total Child Nutrition Cluster			<u>359,488</u>
School Lunch Commodities	08-309	10.565	64,262
Total U. S. Department of Agriculture			<u>423,750</u>
U. S. Department of Housing and Urban Development			
Passed Through Commonwealth of Massachusetts			
Executive of Communities and Development:			
Passed Through to Pioneer Valley Planning Commission:			
Massachusetts Small Cities Program:			
Community Development Fund I - FY 2010	0638	14.228	36,214
Community Development Fund I - FY 2011	0659	14.228	674,068
Community Development Fund I - FY 2012	0679	14.228	40,232
Community Development Fund I - Ware River Valley - FY 2010	0639	14.228	15,833
Community Development Fund I - Ware River Valley - FY 2011	0660	14.228	548,777
Community Development Program Income		14.228	25,441
Total U. S. Department of Housing and Urban Development			<u>1,340,565</u>
TOTAL PAGE 1 OF 3			<u>\$ 1,764,315</u>

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

**TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
U. S. Department of Education			
Passed Through Commonwealth of Massachusetts			
Department of Elementary and Secondary Education:			
Title I, Part A:			
Title I - 2012	305-278-2-0309-M	84.010	\$ 55,298
Title I - 2012	305-432-2-0309-M	84.010	13,802
Title I - 2013	0305-012708-2013-0309	84.010	245,254
Title I - 2013	305-147-3-0309-N	84.010	47,874
Title I School Support - 2010	323-067-0-0309-K	84.010	1,515
Title I School Support - 2012	323-052-2-0309-M	84.010	2,525
Title I School Support - 2013	323-049-3-0309-N	84.010	11,588
Total Title I, Part A			<u>377,856</u>
Special Education Cluster:			
Special Education PL 94-142 Allocation - 2012	240-018-2-0309-M	84.027	74,232
Special Education PL 94-142 Allocation - 2013	240-147-3-0309-N	84.027	363,820
Special Education PL 94-142 Allocation - 2013	240-391-3-0309-N	84.027	13,598
Special Education Program Improvement - 2012	274-023-2-0309-M	84.027	1,223
Special Education Program Improvement - 2013	274-007-3-0309-N	84.027	9,418
Early Childhood Learning Together - 2013	298-019-3-0309-N	84.173	3,000
Total Special Education Cluster, Elementary and Secondary Education			<u>465,291</u>
Improving Teacher Quality State Grants:			
Teacher Quality - 2012	140-366-2-0309-M	84.367	34,313
Teacher Quality - 2012	140-391-2-0309-M	84.367	2,204
Teacher Quality - 2013	0140-012948-2013-0309	84.367	48,427
Teacher Quality - 2013	140-055-3-0309-N	84.367	9,599
Level 3 Targeted Assistance - 2012	143-062-2-0309-M	84.367	6,775
Total Improving Teacher Quality State Grants			<u>101,318</u>
State Fiscal Stabilization Fund - Race to the Top Incentive Grants,			
Recovery Act:			
Race to the Top - 2012	201-228-2-0309-M	84.395	26,418
Race to the Top - 2013	201-000388-2013-0309	84.395	9,207
Total Race to the Top Incentive Grants, Elementary and Secondary Education			<u>35,625</u>
Education Jobs Fund:			
Education Jobs - 2013	206-008-3-0309-N	84.410	1,686
Total Education Jobs Fund			<u>1,686</u>
Passed Through Commonwealth of Massachusetts			
Department of Early Education and Care:			
Special Education Cluster:			
Special Education Early Childhood Allocation - 2012	EEC-262	84.173	252
Special Education Early Childhood Allocation - 2013	EEC-262	84.173	15,769
Special Education Early Childhood Carryover - 2013	EEC-262	84.173	15
Total Special Education Cluster, Early Education and Care			<u>16,036</u>
State Fiscal Stabilization Fund - Race to the Top Incentive Grants,			
Recovery Act:			
Early Learning Challenge - 2013	RTTT12026538	84.395	14,174
Total Race to the Top Incentive Grants, Early Education and Care			<u>14,174</u>
Total U. S. Department of Education			<u>1,011,986</u>
TOTAL PAGE 2 OF 3			<u>\$ 1,011,986</u>

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

**TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
U. S. Department of Health and Human Services			
Passed Through Commonwealth of Massachusetts			
Department of Public Health:			
Mass Deployment Units		93.003	\$ 2,132
Passed Through City of Easthampton, Massachusetts:			
Public Health Emergency Response		93.069	609
Total U. S. Department of Health and Human Services			<u>2,741</u>
U. S. Department of Homeland Security			
Direct Programs:			
Staffing for Adequate Fire and Emergency Response (SAFER) - Grant No. EMW-2009-FH-01038		97.083	140,871
ARRA Assistance to Firefighters Station Construction Grants - Grant No. EMW-2009-FC-04293R		97.115	1,285,416
Passed Through Commonwealth of Massachusetts			
Emergency Management Agency:			
Disaster Grants Public Assistance: February 2013 Blizzard	FEMA-4110-DR-MA	97.036	31,308
Emergency Management Performance Grants:			
Emergency Management Performance Grant - FFY 2010		97.042	2,237
Emergency Management Performance Grant - FFY 2011		97.042	2,900
Total Emergency Management Performance Grant			<u>5,137</u>
Total U. S. Department of Homeland Security			<u>1,462,732</u>
TOTAL PAGE 3 OF 3			1,465,473
TOTAL PAGE 2 OF 3			1,011,986
TOTAL PAGE 1 OF 3			1,764,315
TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 4,241,774</u>

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

TOWN OF WARE, MASSACHUSETTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Town of Ware, Massachusetts, under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town of Ware, Massachusetts, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Ware, Massachusetts.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - SUBRECIPIENTS

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

Program Title	Federal CFDA Number	Amount Provided
Community Development Block Grant	14.228	<u>\$ 105,627</u>

NOTE D – FOOD DISTRIBUTION

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

**TOWN OF WARE, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.228	U. S. Department of Housing and Urban Development - Community Development Block Grants/State's Program
84.010	U. S. Department of Education - Title I Grants to Local Educational Agencies
97.115	U. S. Department of Homeland Security - ARRA Assistance to Firefighters Grants

Child Nutrition Cluster:

10.553	U. S. Department of Agriculture - School Breakfast Program
10.555	U. S. Department of Agriculture - National School Lunch Program
10.559	U. S. Department of Agriculture - Summer Food Service Program for Children

Special Education Cluster:

84.027	U. S. Department of Education - Special Education Grants to States
84.173	U. S. Department of Education - Special Education Preschool Grants

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

Auditee qualified as a low-risk auditee?	No
--	----

Section II - Financial Statement Findings

There are no financial statement findings reported.

Section III - Federal Award Findings and Questioned Costs

Non-compliance matters and significant deficiencies in internal control findings are reported as findings 2013-1 and 2013-2 on pages 11-12.

Section IV - Prior Audit Findings

Status of prior year audit findings are reported on page 13.

**TOWN OF WARE, MASSACHUSETTS
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Finding 2013-1

Special Education Grants – CFDA No. 84.027

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

**Non-Compliance/Significant Deficiency in Internal Control Over Compliance –
Period of Availability of Federal Funds – Purchase for Services Rendered Before
the Start of the Grant Period**

Criteria:

OMB Circular A-110, paragraph 28, states that where a funding period is specified, a non-Federal entity may charge to the award only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Obligations means the amounts of orders placed, contracts and sub-grants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period.

Condition:

The Ware School Department received a Special Education PL 94-142 Allocation grant with a stated period of availability of September 1, 2012 to August 31, 2013. The Ware School Department charged to the grant costs for tuition for a special needs student in a special program for the month of July 2012, prior to the start of the grant period.

Questioned Costs:

The amount of \$4,450.32 paid for services rendered prior to the start of the grant period is questioned.

Cause:

The School Department received a bill for the services dated July 31, 2012, but charged it to the FY 2013 grant since the funds had already been awarded at the time the invoice was received by the Special Education office.

Effect:

The effect of paying bills for services rendered before the start of the grant period is that funds are paid for services outside the period of time for which the grant is intended to benefit the students who are receiving the services.

Recommendation:

The Ware School Department should establish procedures to prevent the use of grant funds from being used for goods purchased or services rendered prior to the start of or after the end of the grant period. The purchase for services provided prior to the start of the grant period should have been charged to other funding sources.

Management's Response:

Management agrees with the finding and will implement procedures to charge grant expenditures for the proper time period.

**TOWN OF WARE, MASSACHUSETTS
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Finding 2013-2

Special Education Grants – CFDA No. 84.027

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

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

Criteria:

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

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

Condition:

During Fiscal Year 2013, the Ware School Department did not obtain the required time and effort certifications from six of nine employees whose salaries were paid from the Special Education PL 94-142 Allocation grant.

Questioned Costs:

None reported.

Cause:

The Ware School Department did not adequately review the program records to assure that the proper time and effort documentation was obtained.

Effect:

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

Recommendation:

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

Management's Response:

Management agrees with the finding and will implement procedures to obtain time and effort certifications.

**TOWN OF WARE, MASSACHUSETTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Finding 2012-1: U. S. Department of Homeland Security – ARRA Assistance to Firefighters (CFDA No. 97.115) – Grant No. EMW-2009-FC-04293R – Noncompliance and Significant Deficiency in Internal Control Over Compliance – Davis Bacon Act

Prior Year Comment:

The finding indicated that for a contract to construct a new fire station the bid specifications and the contract did not include a federal prevailing wage determination from the U. S. Department of Labor.

Status:

The Ware Fire Department has submitted documentation from certified payrolls that state prevailing wages were met and that the state prevailing wage rates were higher than the federal prevailing wage rates. The Town of Ware has implemented requirements to assure compliance with the Davis-Bacon Act for any future grant funding it may receive.

Finding 2012-2: U. S. Department of Homeland Security – ARRA Assistance to Firefighters (CFDA No. 97.115) – Grant No. EMW-2009-FC-04293R – Noncompliance and Significant Deficiency in Internal Control Over Compliance – Reporting Requirements

Prior Year Comment:

The finding indicated that the Ware Fire Department had not submitted the most recent required semiannual federal financial report and the most recent required semiannual performance report.

Status:

All semiannual federal financial reports and semiannual performance reports have been filed, as well as the closeout reports.

**TOWN OF WARE, MASSACHUSETTS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2013**

Finding 2013-1:

Management agrees with the finding and will implement procedures to charge grant expenditures for the proper time period.

Finding 2013-2:

Management agrees with the finding and will implement procedures to obtain time and effort certifications.