

**TOWN OF WARE, MASSACHUSETTS**

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

**For the Year Ended June 30, 2014**

TOWN OF WARE, MASSACHUSETTS

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## **Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Ware, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ware, Massachusetts, as of and for the year ended June 30, 2014, 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, 2014, 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 6 through 13 and the *Schedule of Funding Progress and Employer Contributions* on pages 57 and 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2015, on our consideration of the Town of Ware, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Ware, Massachusetts' internal control over financial reporting and compliance.

## *Scanlon and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

March 19, 2015

## **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, 2014. 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 \$21,588,884 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$23,000,447 a decrease of \$1,411,563 (6%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$3,973,510, an increase of \$1,198,871 (43%) in comparison with prior year.
- The General Fund's total fund balance decreased \$174,099 (6%) to \$2,609,088. The ending General fund balance is 9% of revenues and transfers in and 9% of expenditures and transfers out.
- Total long term liabilities of the Town increased by \$112,702 (.5%) to \$22,685,649 during the fiscal year. This change was mainly the result of a net decrease in notes payable of \$1,732,680 (mostly due to the fire station construction project going to permanent debt) and increases in the net bonds and leases payable of \$663,468 and in the other post employment benefits (OPEB) liability of \$1,341,230.
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$1,088,147. The key factors that attributed to the free cash amount for fiscal year 2014 are, approximately, as follows:
  - Unexpended/unencumbered appropriations \$ 130,900.
  - Excess over budget – state and local receipts \$ 689,000.
  - Prior year free cash not appropriated \$ 180,000.
- The Town's enterprise funds certified free cash is as follows:
  - Water Fund \$ 487,049.
  - Sewer fund \$ 277,192.

### 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		
	2014	2013	Change
<b>Assets:</b>			
Current assets	\$ 8,531,385	\$ 8,695,045	\$ (163,660)
Noncurrent assets (excluding capital assets)	2,947,728	3,608,716	(660,988)
Capital assets	26,781,664	27,367,573	(585,909)
<b>Total assets</b>	<b>38,260,777</b>	<b>39,671,334</b>	<b>(1,410,557)</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt and leases)	1,801,291	1,906,803	(105,512)
Current debt including leases	1,981,005	3,234,079	(1,253,074)
Noncurrent liabilities (excluding debt and leases)	10,485,247	9,181,482	1,303,765
Noncurrent debt including leases	6,805,730	6,539,868	265,862
<b>Total liabilities</b>	<b>21,073,273</b>	<b>20,862,232</b>	<b>211,041</b>
<b>Net Position:</b>			
Net investment in capital assets	22,087,641	22,467,390	(379,749)
Restricted	2,457,857	1,768,919	688,938
Unrestricted	(7,357,994)	(5,427,207)	(1,930,787)
<b>Total net position</b>	<b>\$ 17,187,504</b>	<b>\$ 18,809,102</b>	<b>\$ (1,621,598)</b>

	Business-Type Activities		
	2014	2013	Change
<b>Assets:</b>			
Current assets	\$ 1,505,787	\$ 1,289,852	\$ 215,935
Capital assets	4,507,969	4,612,208	(104,239)
<b>Total assets</b>	<b>6,013,756</b>	<b>5,902,060</b>	<b>111,696</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	86,124	120,354	(34,230)
Current debt	120,000	475,000	(355,000)
Noncurrent liabilities (excluding debt)	303,252	285,361	17,891
Noncurrent debt	1,103,000	830,000	273,000
<b>Total liabilities</b>	<b>1,612,376</b>	<b>1,710,715</b>	<b>(98,339)</b>
<b>Net Position:</b>			
Net investment in capital assets	3,284,969	3,307,208	(22,239)
Restricted	48,516	50,549	(2,033)
Unrestricted	1,067,895	833,588	234,307
<b>Total net position</b>	<b>\$ 4,401,380</b>	<b>\$ 4,191,345</b>	<b>\$ 210,035</b>



## Financial Highlights

### Statement of Activities Highlights

	Governmental Activities		
	2014	2013	Change
<b>Program Revenues:</b>			
Charges for services	\$ 1,610,756	\$ 1,514,170	\$ 96,586
Operating grants and contributions	15,105,528	14,202,902	902,626
Capital grants and contributions	577,770	3,446,243	(2,868,473)
<b>General Revenues:</b>			
Property taxes	12,945,821	12,153,702	792,119
Motor vehicle excise and other taxes	933,252	891,455	41,797
Penalties and interest on taxes	72,248	64,073	8,175
Nonrestricted grants	1,895,660	1,860,724	34,936
Unrestricted investment income	12,674	10,519	2,155
Gain on Sale of Foreclosure Property	-	34,600	(34,600)
Miscellaneous	46,264	12,178	34,086
<b>Total revenues</b>	<b>33,199,973</b>	<b>34,190,566</b>	<b>(990,593)</b>
<b>Expenses:</b>			
General Government	1,358,464	1,321,416	37,048
Public Safety	3,496,133	3,467,654	28,479
Public Works	2,081,138	1,542,109	539,029
Education	16,328,164	15,750,181	577,983
Health and Human Services	1,062,415	1,333,423	(271,008)
Culture and Recreation	425,925	438,669	(12,744)
Employee Benefits and Insurance	8,987,724	8,107,370	880,354
State Assessments	995,441	1,348,482	(353,041)
Interest	307,272	353,948	(46,676)
<b>Total expenses</b>	<b>35,042,676</b>	<b>33,663,252</b>	<b>1,379,424</b>
<b>Net (expenses) revenues</b>	<b>(1,842,703)</b>	<b>527,314</b>	<b>(2,370,017)</b>
<b>Contributions to permanent funds</b>	<b>-</b>	<b>1,200</b>	<b>(1,200)</b>
<b>Transfers</b>	<b>221,105</b>	<b>206,493</b>	<b>14,612</b>
<b>Change in net position</b>	<b>(1,621,598)</b>	<b>735,007</b>	<b>(2,356,605)</b>
<b>Net position - beginning of year</b>	<b>18,809,102</b>	<b>18,074,095</b>	<b>735,007</b>
<b>Net position - end of year</b>	<b>\$ 17,187,504</b>	<b>\$ 18,809,102</b>	<b>\$ (1,621,598)</b>

	<b>Business-Type Activities</b>		
	<b>2014</b>	<b>2013</b>	<b>Change</b>
<b>Program Revenues:</b>			
Charges for services	\$ 1,919,764	\$ 1,939,490	\$ (19,726)
Operating grants and contributions	1,205	1,523	(318)
<b>Total revenues</b>	<b>1,920,969</b>	<b>1,941,013</b>	<b>(20,044)</b>
<b>Expenses:</b>			
Water	757,103	697,991	59,112
Sewer	732,726	706,319	26,407
<b>Total expenses</b>	<b>1,489,829</b>	<b>1,404,310</b>	<b>85,519</b>
<b>Net (expenses) revenues</b>	<b>431,140</b>	<b>536,703</b>	<b>(105,563)</b>
<b>Transfers</b>	<b>(221,105)</b>	<b>(206,493)</b>	<b>(14,612)</b>
<b>Change in net position</b>	<b>210,035</b>	<b>330,210</b>	<b>(120,175)</b>
<b>Net position - beginning of year</b>	<b>4,191,345</b>	<b>3,861,135</b>	<b>330,210</b>
<b>Net position - end of year</b>	<b>\$ 4,401,380</b>	<b>\$ 4,191,345</b>	<b>\$ 210,035</b>

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$21,588,884 at the close of fiscal year 2014.

Net position of \$25,372,610 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position \$2,506,373 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$6,290,099).

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 (\$7,357,994) 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 \$10,151,999.

The governmental activities net position decreased by \$1,621,598 (9%) during the current fiscal year, which reflects the general fund's results of operation. The key elements of the decrease in net position for fiscal year 2014 was attributed to the depreciation expense (normally spread out over the useful life of the asset) for the year of \$1,473,202 exceeding the acquisition of \$887,293 in new capital assets and as a result of recognizing this year's OPEB obligation of \$1,309,563.

There was an increase of \$210,035 (5%) in net position reported in the business-type activities. Of this, there were increases of \$131,270 attributed to the water department and of \$78,765 attributed to the sewer department.

### Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$3,973,510 an increase of \$1,198,871 (43%) in comparison with the prior year.

The breakdown of the governmental funds is as follows:

- Nonspendable fund balance - \$142,308 (3%).
- Restricted fund balance - \$1,579,690 (40%).
- Committed fund balance - \$1,982 (1%).
- Assigned fund balance - \$644,792 (16%).
- Unassigned fund balance - \$1,604,738 (40%).

#### Major Governmental Funds

The *General Fund* is the Town's primary operating fund and the largest source of day-to-day operations. At the end of the fiscal year, the General Fund reported a total fund balance of \$2,609,088 decreasing \$174,099 (6%) from the prior year. Of the \$2,609,088, the unassigned amount is \$1,964,296 (76%) and the assigned amount is \$644,792 (24%). General fund revenues were \$1,162,534 (4%) more than the prior fiscal year and expenditures also increased by \$1,247,850 (4%). Other activity in the General Fund consisted of net transfers from other funds of \$782,720.

The main components of the increases in general fund revenues were related to increases in property taxes of \$710,082 (6%), intergovernmental receipts of \$169,692 (2%) and excise and other taxes of \$164,417 (20%) from the prior year.

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

- Increase in Public safety expenditures of \$136,076 (5%).
- Increase in Education expenditures of \$717,150 (6%).
- Increase in Employee benefits and insurance expenditures of \$724,686. (10%).
- Decrease in State assessments expenditures of \$353,041 (26%).

**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 \$3,499,967 used in the financing and operations of the Town's water system. The fund shows an increase of \$131,270 (4%) in total operations. This change was mainly attributed to operating revenues exceeding operating costs by \$267,516, interest income of \$866, interest expense of \$34,694 and transfers to the general fund of \$102,418 for indirect costs. Operating revenues decreased by \$21,076 (2%) while operating expenses increased by \$63,186 (10%) from the prior year.

The *Sewer Fund* has accumulated a fund balance of \$901,413 used in the financing and operations of the Town's sewer system. The fund shows an increase of \$78,765 (10%) in total operations. This change was mainly attributed to operating revenues exceeding operating costs by \$199,838, interest income of \$339, interest expense of \$2,725 and transfers to the general fund of \$118,687 for indirect costs. Operating revenues increased by \$1,350 (.1%) while operating expenses also increased by \$24,776 (4%) from the prior year.

## General Fund Budgetary Highlights

A budget to actual statement is provided for the General Fund. Columns for both the original budget adopted for fiscal year 2014 as well as the final budget are presented. The final general fund budget for fiscal year 2014 was \$27,476,733. This was an increase of \$902,230 (3%) over the previous year's budget.

There was an increase of \$383,373 between the original budget and the final amended budget. The change is attributed to votes at the special town meetings in November 2013 and May 2014, and the annual town meeting in May 2014 for various budget operating line items.

General fund expenditures were less than budgeted by \$288,654. Of the \$288,654 in under budget expenditures \$157,792 has been carried over to fiscal year 2015.

There are negative variances in property taxes of \$7,054 as a result of lower collections and in interest on investments of \$2,709 resulting from the current economy.

The following categories had negative variances as compared to budget vs. actual expenditures and encumbrances:

- Public works of \$131,924. This was mainly as a result of higher than anticipated snow and ice clearing and removal activities during the winter season.
- State assessments of \$76,838. This was mainly due to the school choice sending tuition assessment exceeding the budgeted amount.

Overall the variance with the final budget was a positive \$812,824 consisting of a revenue surplus of \$681,962 and an appropriation surplus of \$130,862.

## 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, 2014 amounts to \$26,781,664 and \$4,507,969, 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 \$79,910.
- Land purchase for \$12,000.
- Town Hall windows for \$25,700.
- Police station windows for \$21,050.
- New fire station construction for \$109,449.
- Roads, parking and sidewalks for \$410,115.
- School flooring and carpeting for \$73,310.
- Grenville Park bandstand for \$129,822.
- Memorial Field park improvements for \$25,937.

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

- Sewer infrastructure improvements for \$23,408.

**Debt Administration.** The Town's outstanding governmental debt, as of June 30, 2014, totaled \$8,161,008, of which \$4,640,000 is for the school projects, \$1,953,378 is for the various construction and building improvements, \$694,618 for departmental equipment, \$5,000 for land acquisition, \$548,900 is for landfill projects, \$95,000 for veteran's park, \$64,237 for Brownfield clean-up and \$159,875 for road improvements.

The governmental activities also has bond and state anticipation notes outstanding for \$483,996 of which \$359,558 is for the October 2011 winter storm and \$124,438 is for highway anticipated revenue from the Commonwealth.

The Town's outstanding business-type debt totaled \$1,223,000 consisting of \$906,200 in water debt and \$416,800 in sewer debt.

The Town also has capital leases for a fire administration vehicle and a 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 \$152,135 on the leases consisting of \$141,731 in principal and \$10,404 in interest.

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

**Next Year's Annual Town Meeting**

The Town of Ware operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2014 do not reflect the fiscal year 2015 Town Meeting action with the exception of the fund balance (free cash) and stabilization amounts used to fund the 2015 budget. The Annual Town Meeting on May 12, 2014 authorized a fiscal year 2015 operating and capital budget as follows:

From raise and appropriate		\$ 25,625,176
From water revenues	\$ 740,570	
From water reserve fund	<u>161,000</u>	901,570
From sewer revenues	752,564	
From sewer reserve fund	<u>35,000</u>	787,564
From Other Available Funds:		
<b>General Fund:</b>		
Unassigned fund balance:		
Free cash	469,000	
Stabilization fund	<u>18,000</u>	487,000
<b>Non-major Governmental Funds:</b>		
Sale of cemetery lots		<u>4,700</u>
		<u><u>\$ 27,806,010</u></u>

**Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF WARE, MASSACHUSETTS  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and Cash Equivalents	\$ 4,825,157	\$ 1,233,719	\$ 6,058,876
Investments	556,476	-	556,476
Cash in Custody of Others	118,775	-	118,775
Receivables, net of allowance for uncollectibles:			
Property Taxes	383,802	-	383,802
Tax Liens	299,455	-	299,455
Excise Taxes	133,325	-	133,325
User Charges	-	272,068	272,068
Departmental	136,301	-	136,301
Due from Other Governments	2,078,094	-	2,078,094
Total current assets	<u>8,531,385</u>	<u>1,505,787</u>	<u>10,037,172</u>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Due from Other Governments	2,947,728	-	2,947,728
Capital Assets, net of accumulated Depreciation:			
Non-depreciable	2,741,499	694,075	3,435,574
Depreciable	24,040,165	3,813,894	27,854,059
Total noncurrent assets	<u>29,729,392</u>	<u>4,507,969</u>	<u>34,237,361</u>
<b>Total Assets</b>	<u>38,260,777</u>	<u>6,013,756</u>	<u>44,274,533</u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants and Accounts Payable	545,341	54,007	599,348
Accrued Payroll	948,686	10,870	959,556
Payroll Withholdings	89,073	-	89,073
Other	34,249	-	34,249
Accrued Interest	88,301	11,269	99,570
Compensated Absences	95,641	9,978	105,619
Bond Anticipation Notes Payable	483,996	-	483,996
Bonds and Leases Payable	1,497,009	120,000	1,617,009
Total current liabilities	<u>3,782,296</u>	<u>206,124</u>	<u>3,988,420</u>
<b>NONCURRENT:</b>			
Compensated Absences	333,248	13,055	346,303
OPEB Obligation Payable	10,151,999	290,197	10,442,196
Bonds and Leases Payable	6,805,730	1,103,000	7,908,730
Total noncurrent liabilities	<u>17,290,977</u>	<u>1,406,252</u>	<u>18,697,229</u>
<b>Total Liabilities</b>	<u>21,073,273</u>	<u>1,612,376</u>	<u>22,685,649</u>
<b>NET POSITION</b>			
Net Investments in Capital Assets	22,087,641	3,284,969	25,372,610
Restricted for:			
Capital Projects	435,065	48,516	483,581
Federal & State Grants	1,090,059	-	1,090,059
Permanent Funds:			
Expendable	100,018	-	100,018
Nonexpendable	142,308	-	142,308
Other Purposes	690,407	-	690,407
Unrestricted	(7,357,994)	1,067,895	(6,290,099)
<b>Total Net Position</b>	<u>\$ 17,187,504</u>	<u>\$ 4,401,380</u>	<u>\$ 21,588,884</u>

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

**TOWN OF WARE, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General Government	\$ 1,358,464	\$ 217,347	\$ 752,138	\$ -	\$ (388,979)	\$ -	\$ (388,979)
Public Safety	3,496,133	1,066,785	46,498	60,317	(2,322,533)	-	(2,322,533)
Public Works	2,081,138	8,177	32,179	439,053	(1,601,729)	-	(1,601,729)
Education	16,328,164	242,418	10,945,080	-	(5,140,666)	-	(5,140,666)
Health and Human Services	1,062,415	37,740	587,525	-	(437,150)	-	(437,150)
Culture and Recreation	425,925	38,289	54,250	78,400	(254,986)	-	(254,986)
Employee Benefits and Insurance	8,987,724	-	2,516,737	-	(6,470,987)	-	(6,470,987)
State Assessments	995,441	-	-	-	(995,441)	-	(995,441)
Interest	307,272	-	171,121	-	(136,151)	-	(136,151)
<b>Total Governmental Activities</b>	<b>35,042,676</b>	<b>1,610,756</b>	<b>15,105,528</b>	<b>577,770</b>	<b>(17,748,622)</b>	<b>-</b>	<b>(17,748,622)</b>
<b>Business-Type Activities:</b>							
Water	757,103	989,925	866	-	-	233,688	233,688
Sewer	732,726	929,839	339	-	-	197,452	197,452
<b>Total Primary Government</b>	<b>\$ 36,532,505</b>	<b>\$ 3,530,520</b>	<b>\$ 15,106,733</b>	<b>\$ 577,770</b>	<b>(17,748,622)</b>	<b>431,140</b>	<b>(17,317,482)</b>
<b>General Revenues:</b>							
Property taxes					12,945,821	-	12,945,821
Motor vehicle excise and other taxes					933,252	-	933,252
Penalties & Interest on taxes					72,248	-	72,248
Grants & Contributions not restricted to specific programs					1,895,660	-	1,895,660
Unrestricted investment income					12,674	-	12,674
Miscellaneous					46,264	-	46,264
<b>Transfers, net</b>					<b>221,105</b>	<b>(221,105)</b>	<b>-</b>
<b>Total General Revenues and Transfers</b>					<b>16,127,024</b>	<b>(221,105)</b>	<b>15,905,919</b>
<b>Change in Net Position</b>					<b>(1,621,598)</b>	<b>210,035</b>	<b>(1,411,563)</b>
<b>Net Position:</b>							
Beginning of year					18,809,102	4,191,345	23,000,447
End of year					<b>\$ 17,187,504</b>	<b>\$ 4,401,380</b>	<b>\$ 21,588,884</b>

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



**TOWN OF WARE MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 3,627,884	\$ 1,197,273	\$ 4,825,157
Investments	298,896	257,580	556,476
Cash in Custody of Others	-	118,775	118,775
Receivables, net of allowance for uncollectibles:			
Property Taxes	383,802	-	383,802
Tax Liens	299,455	-	299,455
Excise Taxes	133,325	-	133,325
Departmental	550	135,751	136,301
Due from Other Governments	3,777,518	1,176,458	4,953,976
<b>Total Assets</b>	<b>\$ 8,521,430</b>	<b>\$ 2,885,837</b>	<b>\$ 11,407,267</b>
<b>Liabilities:</b>			
Warrants and Accounts Payable	\$ 438,302	\$ 107,039	\$ 545,341
Accrued Payroll	859,055	89,631	948,686
Payroll Withholdings	89,073	-	89,073
Other	34,249	-	34,249
Bond Anticipation Notes Payable	-	483,996	483,996
<b>Total Liabilities</b>	<b>1,420,679</b>	<b>680,666</b>	<b>2,101,345</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue	4,491,663	840,749	5,332,412
<b>Fund Balance:</b>			
Nonspendable	-	142,308	142,308
Restricted	-	1,579,690	1,579,690
Committed	-	1,982	1,982
Assigned	644,792	-	644,792
Unassigned	1,964,296	(359,558)	1,604,738
<b>Total Fund Balance</b>	<b>2,609,088</b>	<b>1,364,422</b>	<b>3,973,510</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 8,521,430</b>	<b>\$ 2,885,837</b>	<b>\$ 11,407,267</b>

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

**TOWN OF WARE, MASSACHUSETTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property Taxes	\$ 12,838,356	\$ -	\$ 12,838,356
Intergovernmental	11,789,635	3,663,851	15,453,486
Excise and Other Taxes	998,014	-	998,014
Licenses, Permits, Fees	541,988	-	541,988
Charges for Services	-	1,166,339	1,166,339
Interest on Taxes	72,248	-	72,248
Investment Income	12,674	6,900	19,574
Gifts and Donations	-	118,886	118,886
Other	-	32,766	32,766
Intergovernmental - "On-behalf" Payments	2,539,892	-	2,539,892
<b>Total Revenues</b>	<b>28,792,807</b>	<b>4,988,742</b>	<b>33,781,549</b>
<b>Expenditures:</b>			
Current:			
General Government	1,107,866	351,219	1,459,085
Public Safety	3,092,188	313,654	3,405,842
Public Works	1,039,863	1,229,770	2,269,633
Education	13,341,807	2,218,519	15,560,326
Health and Human Services	590,972	403,946	994,918
Culture and Recreation	322,771	210,993	533,764
Employee Benefits and Insurance	7,678,161	-	7,678,161
State Assessments	995,441	-	995,441
Debt Service:			
Principal	1,256,662	-	1,256,662
Interest	323,895	-	323,895
<b>Total Expenditures</b>	<b>29,749,626</b>	<b>4,728,101</b>	<b>34,477,727</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(956,819)</b>	<b>260,641</b>	<b>(696,178)</b>
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	836,030	53,310	889,340
Operating Transfers Out	(53,310)	(614,925)	(668,235)
Proceeds from Issuance of Bonds	-	1,673,944	1,673,944
<b>Total Other Financing Sources (Uses)</b>	<b>782,720</b>	<b>1,112,329</b>	<b>1,895,049</b>
<b>Net Change in Fund Balances</b>	<b>(174,099)</b>	<b>1,372,970</b>	<b>1,198,871</b>
<b>Fund Balances, Beginning of Year</b>	<b>2,783,187</b>	<b>(8,548)</b>	<b>2,774,639</b>
<b>Fund Balances, End of Year</b>	<b>\$ 2,609,088</b>	<b>\$ 1,364,422</b>	<b>\$ 3,973,510</b>

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

**TOWN OF WARE MASSACHUSETTS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**Total Fund Balances to the Statement of Net Position**  
**For the Year Ended June 30, 2014**

<b>Total Governmental Fund Balances</b>		\$	3,973,510
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			26,781,664
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			5,404,258
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	\$	(8,302,739)	
Other Post Employment Benefits Payable		(10,151,999)	
Compensated Absences		<u>(428,889)</u>	(18,883,627)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.			<u>(88,301)</u>
<b>Net Position of Governmental Activities</b>		<b>\$</b>	<b><u><u>17,187,504</u></u></b>

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

**TOWN OF WARE MASSACHUSETTS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2014**

**Net Change in Fund Balances - Total Governmental Funds** \$ 1,198,871

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	\$ 887,293	
Depreciation	<u>(1,473,202)</u>	(585,909)

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue and WPAT principal subsidy. (581,576)

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	1,308,476	
Proceeds from Bonds and Notes	<u>(1,673,944)</u>	(365,468)

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	407	
Net Change in Other Post Employment Benefits	(1,309,563)	
Net Change in Accrued Interest on Long-Term Debt	<u>21,640</u>	<u>(1,287,516)</u>

**Change in Net Position of Governmental Activities** \$ (1,621,598)

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, 2014**

	Budgeted Amounts		Actual	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis		
<b>Revenues:</b>					
Property Taxes	\$ 12,737,702	\$ 12,857,410	\$ 12,850,356	\$ -	\$ (7,054)
Intergovernmental	11,359,610	11,359,610	11,789,635	-	430,025
Excise and Other Taxes	912,500	912,500	998,014	-	85,514
Licenses, Permits, Fees	368,050	368,050	541,988	-	173,938
Interest on Taxes	70,000	70,000	72,248	-	2,248
Interest on Investments	8,000	8,000	5,291	-	(2,709)
<b>Total Revenues</b>	<b>25,455,862</b>	<b>25,575,570</b>	<b>26,257,532</b>	<b>-</b>	<b>681,962</b>
<b>Expenditures:</b>					
Current:					
General Government	1,197,948	1,240,969	1,107,866	94,088	39,015
Public Safety	3,095,313	3,131,490	3,092,188	2,519	36,783
Public Works	910,141	926,141	1,039,863	18,202	(131,924)
Education	13,169,844	13,443,199	13,341,807	34,176	67,216
Health and Human Services	608,800	611,400	590,972	7,025	13,403
Culture and Recreation	328,557	330,702	322,771	1,782	6,149
Employee Benefits and Insurance	5,244,940	5,255,015	5,161,424	-	93,591
State Assessments	918,603	918,603	995,441	-	(76,838)
Debt Service:					
Principal	1,275,565	1,275,565	1,242,795	-	32,770
Interest	365,304	365,304	314,607	-	50,697
<b>Total Expenditures</b>	<b>27,115,015</b>	<b>27,498,388</b>	<b>27,209,734</b>	<b>157,792</b>	<b>130,862</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,659,153)</b>	<b>(1,922,818)</b>	<b>(952,202)</b>	<b>(157,792)</b>	<b>812,824</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In (Out)	823,694	781,318	766,519	-	(14,799)
<b>Total Other Financing Sources (Uses)</b>	<b>823,694</b>	<b>781,318</b>	<b>766,519</b>	<b>-</b>	<b>(14,799)</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(835,459)</b>	<b>(1,141,500)</b>	<b>(185,683)</b>	<b>(157,792)</b>	<b>798,025</b>
<b>Budgetary Fund Balance - Beginning of Year</b>	<b>2,178,479</b>	<b>2,178,479</b>	<b>2,178,479</b>	<b>-</b>	<b>-</b>
<b>Budgetary Fund Balance - End of Year</b>	<b>\$ 1,343,020</b>	<b>\$ 1,036,979</b>	<b>\$ 1,992,796</b>	<b>\$ (157,792)</b>	<b>\$ 798,025</b>

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

**TOWN OF WARE MASSACHUSETTS**  
**Reconciliation of Revenues and Expenditures**  
**from Budgetary Basis to GAAP Basis**  
**For the Year Ended June 30, 2014**

	<b>Revenues</b>	<b>Expenditures</b>
<b>Reported on a Budgetary Basis</b>	\$ 26,257,532	\$ 27,209,734
<i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	7,383	-
Net Increase in Revenue from recording Refund Taxes Payable	5,000	-
Recognition of Intergovernmental Revenue - "on behalf payments"	2,539,892	-
Recognition of Expenditures - "on behalf payments"	-	2,539,892
Net Decrease in Revenue from Recording 60-Day Receipts	(17,000)	-
<b>Reported on a GAAP Basis</b>	<b>\$ 28,792,807</b>	<b>\$ 29,749,626</b>

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

**TOWN OF WARE MASSACHUSETTS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014**

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
CURRENT:			
Cash and Cash Equivalents	\$ 844,274	\$ 389,445	\$ 1,233,719
User Charges, net of allowance for uncollectibles	128,406	143,662	272,068
Total current assets	972,680	533,107	1,505,787
NONCURRENT:			
Capital Assets, net of accumulated Depreciation			
Non-depreciable	326,700	367,375	694,075
Depreciable	3,239,506	574,388	3,813,894
Total noncurrent assets	3,566,206	941,763	4,507,969
<b>Total Assets</b>	<b>4,538,886</b>	<b>1,474,870</b>	<b>6,013,756</b>
<b>LIABILITIES</b>			
CURRENT:			
Accounts Payable	40,289	13,718	54,007
Accrued Payroll	5,077	5,793	10,870
Accrued Interest	9,741	1,528	11,269
Compensated Absences	5,595	4,383	9,978
Bonds Payable	93,300	26,700	120,000
Total current liabilities	154,002	52,122	206,124
NONCURRENT:			
Compensated Absences	4,487	8,568	13,055
OPEB Obligation Payable	167,530	122,667	290,197
Bonds Payable	712,900	390,100	1,103,000
Total noncurrent liabilities	884,917	521,335	1,406,252
<b>Total Liabilities</b>	<b>1,038,919</b>	<b>573,457</b>	<b>1,612,376</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,760,006	524,963	3,284,969
Restricted for Capital	47,815	701	48,516
Unrestricted	692,146	375,749	1,067,895
<b>Total Net Position</b>	<b>\$ 3,499,967</b>	<b>\$ 901,413</b>	<b>\$ 4,401,380</b>

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

**TOWN OF WARE MASSACHUSETTS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>Operating Revenues:</b>			
Charges for Services	\$ 979,242	\$ 924,127	\$ 1,903,369
Other	10,683	5,712	16,395
<b>Total Operating Revenues</b>	<b>989,925</b>	<b>929,839</b>	<b>1,919,764</b>
<b>Operating Expenses:</b>			
Salaries & Wages	236,108	233,162	469,270
Operating Expenses	379,473	476,020	855,493
Depreciation	106,828	20,819	127,647
<b>Total Operating Expenses</b>	<b>722,409</b>	<b>730,001</b>	<b>1,452,410</b>
<b>Operating Income (Loss)</b>	<b>267,516</b>	<b>199,838</b>	<b>467,354</b>
<b>Non-Operating Revenues (Expenses):</b>			
Investment Income	866	339	1,205
Interest Expense	(34,694)	(2,725)	(37,419)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(33,828)</b>	<b>(2,386)</b>	<b>(36,214)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>233,688</b>	<b>197,452</b>	<b>431,140</b>
<b>Operating Transfers:</b>			
Transfer In (Out)	(102,418)	(118,687)	(221,105)
<b>Total Operating Transfers</b>	<b>(102,418)</b>	<b>(118,687)</b>	<b>(221,105)</b>
<b>Change in Net Position</b>	<b>131,270</b>	<b>78,765</b>	<b>210,035</b>
<b>Net Position at Beginning of Year</b>	<b>3,368,697</b>	<b>822,648</b>	<b>4,191,345</b>
<b>Net Position at End of Year</b>	<b>\$ 3,499,967</b>	<b>\$ 901,413</b>	<b>\$ 4,401,380</b>

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



**TOWN OF WARE MASSACHUSETTS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Business-Type Activities Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Cash Flows From Operating Activities:</b>			
Receipts from Customers and Users	\$ 974,863	\$ 918,519	\$ 1,893,382
Receipts from Other Revenues	10,683	5,712	16,395
Payments to Vendors	(323,140)	(470,939)	(794,079)
Payments to Employees	(252,999)	(235,791)	(488,790)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>409,407</b>	<b>217,501</b>	<b>626,908</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers from (to) Other Funds	(102,418)	(118,687)	(221,105)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(102,418)</b>	<b>(118,687)</b>	<b>(221,105)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Proceeds from the Issuance of Bonds and Notes	-	13,000	13,000
Acquisition and Construction of Capital Assets	-	(81,364)	(81,364)
Principal Payments on Bonds and Notes	(93,300)	(1,700)	(95,000)
Interest Expense	(36,143)	(1,553)	(37,696)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(129,443)</b>	<b>(71,617)</b>	<b>(201,060)</b>
<b>Cash Flows from Investing Activities:</b>			
Investment Income	866	339	1,205
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>866</b>	<b>339</b>	<b>1,205</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>178,412</b>	<b>27,536</b>	<b>205,948</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>665,862</b>	<b>361,909</b>	<b>1,027,771</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 844,274</b>	<b>\$ 389,445</b>	<b>\$ 1,233,719</b>

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

<b>Operating Income (Loss)</b>	\$ 267,516	\$ 199,838	\$ 467,354
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>			
Depreciation	106,828	20,819	127,647
Change in Assets and Liabilities:			
Increase (Decrease) in Accounts Payable	32,876	(3,129)	29,747
Increase (Decrease) in Accrued Payroll	262	1,315	1,577
Increase (Decrease) in Compensated Absences	(17,153)	(3,944)	(21,097)
Increase (Decrease) in OPEB Obligation Payable	23,457	8,210	31,667
Decrease (Increase) in User Charges	(4,379)	(5,608)	(9,987)
<b>Total Adjustments</b>	<b>141,891</b>	<b>17,663</b>	<b>159,554</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 409,407</b>	<b>\$ 217,501</b>	<b>\$ 626,908</b>

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

**TOWN OF WARE MASSACHUSETTS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014**

	<b>Other Postemployment Benefits Trust Fund</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ 60,071	\$ 153,166
Investments	10,234	187,985	-
<b>Total Assets</b>	<b>10,234</b>	<b>248,056</b>	<b>153,166</b>
<b>LIABILITIES</b>			
Warrants Payable	-	-	7,779
Due to Students Groups	-	-	59,546
Escrows and Deposits	-	-	85,841
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>153,166</b>
<b>NET POSITION</b>			
Held in Trust for Scholarships and Other Purposes	\$ 10,234	\$ 248,056	\$ -

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

**TOWN OF WARE MASSACHUSETTS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Other Postemployment Benefits Trust Fund</b>	<b>Private Purpose Trust Funds</b>
<b>Additions:</b>		
Employer Contributions	\$ 10,000	\$ -
Private Donations	-	5,206
Investment Income	234	5,107
<b>Total Additions</b>	<b>10,234</b>	<b>10,313</b>
<b>Deductions:</b>		
Educational Scholarships	-	11,383
<b>Total Deductions</b>	<b>-</b>	<b>11,383</b>
<b>Change in Net Position</b>	<b>10,234</b>	<b>(1,070)</b>
<b>Net Position at Beginning of Year</b>	<b>-</b>	<b>249,126</b>
<b>Net Position at End of Year</b>	<b>\$ 10,234</b>	<b>\$ 248,056</b>

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

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

**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 2014, it was determined that no entities met the required GASB-39 and GASB-61 criteria for component units.

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

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

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

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

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

**Government-wide financial statements**

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

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

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

**Fund financial statements**

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

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

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

*and*

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

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

Proprietary and fiduciary funds are reported by fund type.

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

**Government-wide financial statements**

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

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

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.

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

**Fund financial statements**

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary funds:

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

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

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

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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:

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

The *Other Post Employment Benefit (OPEB) Trust Fund* is used to account for the assets held by the Town in trust for the payment of future retiree health insurance benefits. The assets of the OPEB Trust Fund cannot be used to support the Town's operations.

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

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

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

**D. Cash and Cash Equivalents**

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

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

Investment income from proprietary funds is maintained in those funds.

**E. Investments**

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

All investments are carried at fair value.

**F. Receivables**

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

**Property Taxes and Tax Liens**

Property taxes are based on assessments as of January 1, 2013 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

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

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 2014 on June 21, 2013 that were due on August 1, 2013 and November 1, 2013 and actual bills on December 27, 2013 that were due on February 3, 2014 and May 1, 2014, respectively.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2014 is as follows:

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2014	\$ 12,620,757
Less: Debt Exclusion	<u>388,717</u>
	<u><u>\$ 13,009,474</u></u>

The total amount raised by taxation was \$13,007,410.

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.

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



**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

**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:

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

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

**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.

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

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

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

**I. Deferred Inflows of Resources**

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town's property, excise and other taxes; departmental receipts and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**J. Net Position and Fund Balances**

In the Government-Wide financial statements, the difference between the Town's total assets 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**  
**Year Ended June 30, 2014**

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

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

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

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

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

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

**K. Long-term Debt**

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position.

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

**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. The cost of providing health insurance is recognized by recording the employer's share of insurance premiums at various percentages for retirees, spouses and surviving spouses in the general fund in the fiscal year paid. The cost of providing health insurance is recognized in the general fund in the fiscal year paid.

**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**  
**Year Ended June 30, 2014**

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

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

- Estimates are submitted by departments in accordance with Massachusetts general Laws.
- The budget is legally enacted by vote at the annual Town meeting.
- 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 2014, the Town incurred a final budget deficit of \$1,141,499 for the General Fund.

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

Unassigned fund balance:		
Free cash votes	\$	935,559
Overlay deficits		75,000
Reserved for deficits		(101,850)
Prior year's encumbrances		232,790
		<u>1,141,499</u>
	\$	<u>1,141,499</u>

**B. Deficit Fund Balances**

The following fund had a deficit at June 30, 2014 as measured by the balance of unreserved fund balance.

- The *Disaster damage recovery fund*, a special revenue account, has a deficit of \$359,558. The Town has a bond anticipation note outstanding of \$359,558 for this

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

event. The deficit will be eliminated upon additional receipts or the issuance of permanent debt.

**3. DETAILED NOTES**

**A. Deposits and Investments**

**Custodial Credit Risks – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned. The Town does not have a deposit policy for custodial credit risk. Deposits at June 30, 2014 were \$6,993,883. Of these, \$1,033,297 were exposed to custodial credit risk as uninsured and uncollateralized.

**Investment Policies**

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

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

As of June 30, 2014, the Town had the following investments and maturities:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>	
		<b>Less Than 1</b>	<b>1 to 5</b>
<b>Debt Securities:</b>			
U. S. treasury obligations	\$ 93,268	\$ -	\$ 93,268
U. S. government agencies	135,265	-	135,265
Corporate bonds	91,250	20,158	71,092
Money market mutual fund	54,106	54,106	-
	<u>373,889</u>	<u>\$ 74,264</u>	<u>\$ 299,625</u>
<b>Other Investments:</b>			
Certificates of deposits	236,127		
Equity mutual funds	124,434		
MMDT	20,242		
	<u>\$ 754,692</u>		

**Custodial Credit Risks - Investments**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

outside party. Of the Town's \$754,692 investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

**Interest Rate Risk - Investments**

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk - Investments**

The Town's exposure to credit risk as of June 30, 2014 is as follows:

Related Debt Instruments	Fair Value
<b>Moody's Quality Ratings</b>	
<b><i>U. S. Treasury Obligations:</i></b>	
Aaa	\$ 93,268
<b><i>U. S. Government Agencies:</i></b>	
Aaa	135,265
<b><i>Corporate Bonds:</i></b>	
A1	51,144
A3	40,106
<b><i>Money Market Mutual Funds:</i></b>	
Not rated	54,106
	\$ 373,889

**Concentration of Credit Risk - Investments**

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are Federal Home Loan Mortgage Corp., AT&T, Inc. and General Electric Capital Corp Mountain amounting to 17.92%, 5.31% and 6.78%, 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.

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

**B. Receivables**

At June 30, 2014, receivables for the individual major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Major and nonmajor governmental funds:</b>			
Property taxes	\$ 390,226	\$ (6,424)	\$ 383,802
Tax liens	299,455	-	299,455
Excise and other taxes	155,213	(21,888)	133,325
Departmental	162,535	(26,234)	136,301
Due from other governments	4,953,976	-	4,953,976
	<u>\$ 5,961,405</u>	<u>\$ (54,546)</u>	<u>\$ 5,906,859</u>

At June 30, 2014, receivables for the business-type activities consist of the following:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Sewer Fund:</b>			
User charges	\$ 133,361	\$ (500)	\$ 132,861
Tax liens	10,801	-	10,801
<b>Water Fund:</b>			
User charges	118,320	(500)	117,820
Tax liens	10,586	-	10,586
	<u>\$ 273,068</u>	<u>\$ (1,000)</u>	<u>\$ 272,068</u>

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

The composition of amounts due from other governments as of June 30, 2014 for governmental funds is as follows:

**General Fund:**

***Commonwealth of Massachusetts:***

Department of Veterans Services:		
Veterans benefits	\$	240,648
Massachusetts School Building Authority:		
School Building Assistance - Capital Portion	<u>3,536,870</u>	\$ 3,777,518

**Nonmajor Governmental Funds:**

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

School lunch	31,088
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***U. S. Department of Education:***

School title grants	202,970
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***Commonwealth of Massachusetts:***

Department of Elementary & Secondary Education:		
School lunch	617	
School title grants	15,556	
Special education reimbursement fund	48,149	
Department of Housing and Community Development		
Peer to Peer Grant	1,000	
Department of Revenue:		
School Choice	39,349	
Executive Office of Environmental Affairs		
Greenville Park Grant	71,400	
Massachusetts Department of Transportation:		
Highway Department - Chapter 90 funded projects	765,748	
Other	<u>581</u>	<u>1,176,458</u>
		<u><u>\$ 4,953,976</u></u>

**C. Deferred Inflows of Resources – Unavailable Revenue**

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

**General Fund:**

Property taxes	\$	337,802	
Tax liens		299,455	
Excise and other taxes		133,325	
Departmental		550	
Due from other governments	<u>3,720,531</u>	\$	4,491,663

**Nonmajor governmental funds:**

Departmental	104,890		
Due from other governments	<u>735,859</u>	<u>840,749</u>	
		<u><u>\$ 5,332,412</u></u>	



**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

**D. Capital Assets**

Capital asset activities for the year ended June 30, 2014, are as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 2,515,742	\$ 91,910	\$ -	\$ 2,607,652
Construction in progress	7,566,433	675,323	(8,107,909)	133,847
Total capital assets not being depreciated	10,082,175	767,233	(8,107,909)	2,741,499
Capital assets being depreciated:				
Buildings and Renovations	23,371,017	7,816,179	-	31,187,196
Machinery, equipment and other	5,065,929	-	-	5,065,929
Infrastructure	6,372,998	411,790	-	6,784,788
Total capital assets being depreciated	34,809,944	8,227,969	-	43,037,913
Less accumulated depreciation for:				
Buildings and Renovations	12,506,311	1,022,138	-	13,528,449
Machinery, equipment and other	3,286,710	254,861	-	3,541,571
Infrastructure	1,731,525	196,203	-	1,927,728
Total accumulated depreciation	17,524,546	1,473,202	-	18,997,748
Total capital assets being depreciated, net	17,285,398	6,754,767	-	24,040,165
Total governmental activities capital assets, net	\$ 27,367,573	\$ 7,522,000	\$ (8,107,909)	\$ 26,781,664

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 393,400	\$ -	\$ -	\$ 393,400
Construction in Progress	277,267	23,408	-	300,675
Total capital assets not being depreciated	670,667	23,408	-	694,075
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	5,011,918	-	-	5,011,918
Less accumulated depreciation for:				
Buildings and renovations	2,668	5,335	-	8,003
Machinery, equipment and other	4,084	8,167	-	12,251
Infrastructure	1,063,625	114,145	-	1,177,770
Total accumulated depreciation	1,070,377	127,647	-	1,198,024
Total capital assets being depreciated, net	3,941,541	(127,647)	-	3,813,894
Total business-type activities capital assets, net	\$ 4,612,208	\$ (104,239)	\$ -	\$ 4,507,969

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

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

**Governmental Activities:**

General government	\$	10,025
Public safety		281,952
Public works		214,145
Education		841,148
Health and human services		79,566
Culture and recreation		46,366
Total depreciation expense - governmental activities	<u>\$</u>	<u>1,473,202</u>

**Business-Type Activities:**

Sewer fund	\$	20,819
Water fund		106,828
Total depreciation expense - business-type activities	<u>\$</u>	<u>127,647</u>

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

Interfund transfers for the fiscal year ended June 30, 2014, are summarized below:

Transfers Out:	<u>Transfers In:</u>		
	General fund	Nonmajor Governmental fund	Total
General fund	\$ -	\$ 53,310	\$ 53,310
Nonmajor governmental funds	614,925	-	614,925
Business-type fund	221,105	-	221,105
Total transfers out	<u>\$ 836,030</u>	<u>\$ 53,310</u>	<u>\$ 889,340</u>

**F. Leases**

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

<b>Asset:</b>	<b>Governmental Activities</b>
Machinery, Equipment and Other	\$ 429,361
Less: Accumulated Depreciation	(355,433)
Total	<u>\$ 73,928</u>

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, are as follows:

Year Ending June 30,	Governmental Activities
2015	\$ 64,127
2016	29,336
2017	29,336
2018	29,336
Total minimum lease payments	152,135
Less: amount representing interest	(10,404)
Present value of minimum lease payments	\$ 141,731

**G. Short-Term Financing**

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

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

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2013	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2014
<b>Governmental Activities</b>						
<b><i>Bond Anticipation Notes:</i></b>						
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	-
October 2011 snow storm	0.55%	1/31/2014	-	359,558	359,558	-
October 2011 snow storm	0.50%	7/3/2014	-	359,558	-	359,558
<b><i>State Anticipation Notes:</i></b>						
Highway - Chapter 90	0.50%	10/1/2013	277,000	-	277,000	-
Highway - Chapter 90	0.50%	10/1/2014	-	124,438	-	124,438
Total Governmental Activities			\$ 1,836,676	\$ 843,554	\$ 2,196,234	\$ 483,996

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

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

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2013	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2014
<b>Business-Type Activities:</b>						
<b>Sewer Fund:</b>						
<b>Bond Anticipation Notes:</b>						
WWTP Influent pumps	0.59%	6/6/2014	\$ 100,000	\$ -	\$ 100,000	\$ -
WWTP construction	0.59%	6/6/2014	280,000	-	280,000	-
Total Business-Type Activities			<u>\$ 380,000</u>	<u>\$ -</u>	<u>\$ 380,000</u>	<u>\$ -</u>

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

**H. Long Term Debt**

**General Obligation Bonds**

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

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

	<b>Interest</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Original Amount Issued</b>	<b>Outstanding June 30, 2014</b>
<b>Inside Debt:</b>					
Land Acquisition	4.89%	9/1/1999	9/1/2014	\$ 110,000	\$ 5,000
PVPC-Brownfield Clean up	2.00%	7/1/2006	7/1/2014	120,000	64,237
Departmental Equipment	3.66%	3/15/2008	3/15/2022	980,000	510,000
Veteran's Park	3.68%	3/15/2008	3/15/2022	185,000	95,000
Town Hall Boiler Replacement	3.74%	3/15/2008	3/15/2025	87,000	55,000
Senior Center	3.78%	3/15/2008	3/15/2027	852,000	580,000
Road Repairs	3.67%	3/15/2008	3/15/2018	100,400	40,000
Refunding Loans:					
Roof Replacement - Police	0.15%	5/30/2014	5/29/2015	47,305	34,305
Roof Replacement - Highway	0.15%	5/30/2014	5/29/2015	57,130	42,730
Road Reconstruction	0.15%	5/30/2014	5/29/2015	26,375	19,875
Municipal Purpose Loan of 2014:					
Fire Station	2.0-3.0%	5/15/2014	5/15/2034	987,000	987,000
Parking Lot	2.0-3.0%	5/15/2014	5/15/2024	100,000	100,000
Street Sweeper	2.0-3.0%	5/15/2014	5/15/2024	100,000	100,000
Municipal Purpose State House of 2014:					
Police Station	1.00%	5/23/2014	9/1/2019	155,017	155,017
Town Hall Windows	1.00%	5/23/2014	9/1/2018	24,326	24,326
Police Station Windows	1.00%	5/23/2014	9/1/2018	20,000	20,000
Town Hall Roof	1.00%	5/23/2014	9/1/2018	30,000	30,000
Police Vehicle	1.00%	5/23/2014	9/1/2018	40,000	40,000
Highway Chipper	1.00%	5/23/2014	9/1/2018	44,618	44,618
Grenville Park Bandstand	1.00%	5/23/2014	9/1/2018	25,000	25,000
School Carpets	1.00%	5/23/2014	9/1/2017	20,000	20,000
<b>Massachusetts Water</b>					
<b>Pollution Abatement Trust:</b>					
Landfill Capping	N/A	12/9/1998	8/1/2018	906,800	278,900
Total Inside Debt					3,271,008
<b>Outside Debt:</b>					
School Building Refunding	3.77%	12/15/2005	9/1/2018	8,640,000	4,620,000
Municipal Purpose Loan of 2014:					
Landfill Capping	2.0-3.0%	5/15/2014	5/15/2034	270,000	270,000
Total Outside Debt					4,890,000
Total governmental type debt					\$ 8,161,008

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

**Future Debt Service**

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2014, are as follows:

Year	Principal	Interest	Total
2015	\$ 1,437,908	\$ 270,502	\$ 1,708,410
2016	1,263,700	220,947	1,484,647
2017	1,272,800	170,296	1,443,096
2018	1,259,400	123,899	1,383,299
2019	1,243,200	79,353	1,322,553
2020-2024	909,000	198,965	1,107,965
2025-2029	475,000	88,400	563,400
2030-2034	300,000	29,100	329,100
	<u>\$ 8,161,008</u>	<u>\$ 1,181,462</u>	<u>\$ 9,342,470</u>

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

	Interest	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2014
<b>Inside Debt:</b>					
<b>Sewer Fund:</b>					
Municipal Purpose Loan of 2008:					
Sewer lines repairs	3.80%	3/15/2008	3/15/2028	\$ 33,600	\$ 23,800
Municipal Purpose Loan of 2014:					
Wastewater Treatment Plant	2.0-3.0%	5/15/2014	5/15/2034	293,000	<u>293,000</u>
Total Inside Debt					<u>316,800</u>
<b>Outside Debt:</b>					
<b>Sewer Fund:</b>					
Municipal Purpose Loan of 2014:					
Wastewater Treatment Plant	2.0-3.0%	5/15/2014	5/15/2026	100,000	100,000
<b>Water Fund:</b>					
Municipal Purpose Loan of 2000:					
Water	4.93%	9/1/1999	9/1/2016	1,184,400	95,000
Municipal Purpose Loan of 2008:					
Water control facility	3.80%	3/15/2008	3/15/2028	831,000	595,000
Water line repairs	3.80%	3/15/2008	3/15/2028	167,000	<u>116,200</u>
Total Outside Debt					<u>906,200</u>
Total business-type debt					<u>\$ 1,223,000</u>

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

**Future Debt Service**

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2014, are as follows:

Year	Principal	Interest	Total
2015	\$ 120,000	\$ 42,717	\$ 162,717
2016	103,000	38,670	141,670
2017	100,000	34,124	134,124
2018	80,000	31,080	111,080
2019	85,000	28,305	113,305
2020-2024	430,000	98,093	528,093
2025-2029	305,000	28,300	333,300
	<u>\$ 1,223,000</u>	<u>\$ 301,289</u>	<u>\$ 1,524,289</u>

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

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due within One Year
<b>Governmental activities:</b>					
<b>Bond Payable:</b>					
General obligation bonds	\$ 7,408,809	\$ 1,815,961	\$ 1,342,662	\$ 7,882,108	\$ 1,385,408
Massachusetts Water Pollution Abatement Trust bonds	329,900	-	51,000	278,900	52,500
<b>Capital lease</b>	198,562	-	56,831	141,731	59,101
<b>Compensated absences</b>	429,296	-	407	428,889	95,641
<b>OPEB Obligation payable</b>	8,842,436	1,309,563	-	10,151,999	-
Governmental activity Long-term liabilities	<u>\$ 17,209,003</u>	<u>\$ 3,125,524</u>	<u>\$ 1,450,900</u>	<u>\$ 18,883,627</u>	<u>\$ 1,592,650</u>
<b>Business type activities:</b>					
<b>Bond Payable:</b>					
General obligation bonds	\$ 925,000	\$ 393,000	\$ 95,000	\$ 1,223,000	\$ 120,000
<b>Compensated absences</b>	44,130	-	21,097	23,033	9,978
<b>OPEB Obligation payable</b>	258,530	31,667	-	290,197	-
Business-type activity Long-term liabilities	<u>\$ 1,227,660</u>	<u>\$ 424,667</u>	<u>\$ 116,097</u>	<u>\$ 1,536,230</u>	<u>\$ 129,978</u>

**Massachusetts Water Pollution Abatement Trust (MWPAT)**

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, 2014 for principal and interest combined for the loan is \$311,850. The net repayments, including interest, are scheduled to be \$213,048. 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 2014 principal and interest subsidies totaled \$23,155.

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

**Current Refunding – May 23, 2014**

On May 23, 2014, the Town issued \$358,961 in general obligation bonds (\$155,017 refunding bonds and \$203,944 new bonds) with a true interest rate of 1.0 percent to current refund \$150,000 of outstanding bonds with an average interest rate of 4.75 percent. As a result, the funded bonds are considered to be defeased and the liability has been removed from the general obligation long-term debt. This current refunding was undertaken to refund the police station governmental type debt of \$150,000. The current refunding resulted in a net economic gain of \$15,799.

**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, 2014 totaled \$9,267,365.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2014:

Equalized Valuation-Real Estate and Personal Property (2014)		\$	<u>1,401,621,900</u>
Debt Limit: 5 % of Equalized value			<u>70,081,095</u>
Total Debt Outstanding	\$	24,341,277	
Less: Debt Outside Debt Limit		<u>(15,073,912)</u>	<u>9,267,365</u>
 Inside Debt Excess Borrowing Capacity at June 30, 2014		 \$	 <u>60,813,730</u>

**Loans Authorized and Unissued - Memorandum Only**

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



**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

Loan authorizations that have not been issued as of June 30, 2014 and are not reflected in the Town's financial statements are as follows:

<b>Date Town Meeting Authorized</b>	<b>Purpose</b>	<b>Amount</b>
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	441,341
8/12/2012	Wastewater Treatment Plant improvements	707,000
11/19/2012	Grenville Park band stand repairs	87,000
11/19/2012	Highway street sweeper	15,006
11/19/2012	Highway wood chipper	5,382
11/19/2012	Town Hall windows	1
11/19/2012	WWTP repair of disinfection system	20,000
5/13/2013	Road repairs in anticipation of Chapter 90 receipts	314,615
		<u>\$ 2,199,760</u>

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

**I. Fund Balances**

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2014:

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Nonspendable:</b>			
Permanent funds	\$ -	\$ 142,308	\$ 142,308
<b>Restricted:</b>			
Federal, state and local grants	-	354,200	354,200
School Revolving funds	-	525,631	525,631
Town Revolving funds	-	50,209	50,209
Donations and gifts	-	82,058	82,058
Insurance reimbursements	-	5,535	5,535
Capital projects	-	435,065	435,065
Permanent funds	-	100,018	100,018
Other	-	26,974	26,974
	-	1,579,690	1,579,690
<b>Committed:</b>			
Ambulance fund	-	1,982	1,982
<b>Assigned:</b>			
General government	94,088	-	94,088
Public safety	2,519	-	2,519
Public works	18,202	-	18,202
Education	34,176	-	34,176
Health and human services	7,025	-	7,025
Culture and recreation	1,782	-	1,782
Subsequent year's budget	487,000	-	487,000
	644,792	-	644,792
<b>Unassigned:</b>			
General Fund	1,964,296	-	1,964,296
Deficit special revenue:			
Disaster Damage Recovery	-	(359,558)	(359,558)
	1,964,296	(359,558)	1,604,738
<b>Total Governmental fund balances</b>	<b>\$ 2,609,088</b>	<b>\$ 1,364,422</b>	<b>\$ 3,973,510</b>

**J. Special Trust Funds**

**Stabilization Fund**

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time 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.

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

At June 30, 2014, the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 273,639
Capital stabilization fund	<u>278,653</u>
	<u><u>\$ 552,292</u></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, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

**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.

**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

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

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 2014 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:

Annual required contribution	\$ 2,600,459
Interest on net OPEB obligation	364,039
Adjustment to annual required contribution	(506,067)
Amortization of actuarial (Gains)/Losses	(268,409)
Annual OPEB cost (expense)	2,190,022
Contributions made during the fiscal year	(848,792)
Increase in net OPEB obligation	1,341,230
Net OPEB Obligation - beginning of year	9,100,966
Net OPEB Obligation - end of year	\$ 10,442,196

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2014 fiscal year and the two preceding years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2014	\$ 2,190,022	38.76%	\$ 10,442,196
6/30/2013	\$ 2,093,448	43.56%	\$ 9,100,966
6/30/2012	\$ 2,957,819	31.30%	\$ 7,919,488

**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 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

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

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.

Amounts determined regarding the funded status of the plan and the Annual Required Contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial accrued liabilities for benefits.

**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% per year.

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at June 30, 2014 is 25 years.

**Trust Fund**

The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2014 the trust balance is \$10,234.

**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 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 \$2,539,892 for the fiscal year ending June 30, 2014, and, accordingly, are reported in the General Fund as intergovernmental revenues and educational expenditures.

The System provides 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

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

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, 2014, 2013 and 2012 is shown below, which equaled its required contribution for each fiscal year.

<b>Fiscal Year Ended June 30</b>	<b>Town's Contribution</b>
2014	\$ 1,377,740
2013	\$ 1,227,906
2012	\$ 1,186,846

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 to 4.5% per year ultimate for Group 1&2 and 4.75% per year ultimate for Group 4 per member, (c) cost of living increase of 3% of the first \$12,000 of retirement income.

The total unfunded actuarial liability applicable to the entire System's employees January 1, 2012 is as follows:

Actuarial Accrued Liability	\$ 367,510,618
Less: Assets	204,116,196
Unfunded Actuarial Liability	<u>\$ 163,394,422</u>

The Town's portion of such liability is approximately 8.58% or \$14,019,241.

**Reporting Policies**

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

Investments are reported in accordance with PERAC requirements.

**E. Implementation Of New GASB Pronouncements**

During fiscal year 2014, the GASB implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement introduced the concept of deferred outflows and deferred inflows to

**TOWN OF WARE, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2014**

the financial statements. As such, certain items that were previously reported as assets and liabilities were reclassified to deferred outflows and deferred inflows.

**F. Future GASB Pronouncements**

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as an asset/(liability) and revenue/(expense), the Town's portion of the Hampshire County Retirement System actuarial accrued liability.

**REQUIRED SUPPLEMENTARY INFORMATION**



**TOWN OF WARE, MASSACHUSETTS**  
**Required Supplementary Information**  
**Schedule of Funding Progress and Employer Contributions**  
**Other Post-Employment Benefit Plan**  
**Year Ended June 30, 2014**

**Schedule of Funding Progress**

<b>Other Post Employment Benefits</b>							
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (A)</b>	<b>Actuarial Liability (AAL) Entry Aid (B)</b>	<b>Unfunded AAL (UAAL) (B-A)</b>	<b>Funded Ratio (A/B)</b>	<b>Covered Payroll (C)</b>	<b>UAAL as a Percentage of Covered Payroll ((B-A)/C)</b>	
7/1/2012	\$ -	\$ 21,842,706	\$ 21,842,706	0%	\$ 13,097,348	166.80%	
7/1/2011	\$ -	\$ 25,191,035	\$ 25,191,035	0%	\$ 13,035,640	193.25%	
7/1/2010	\$ -	\$ 23,919,877	\$ 23,919,877	0%	\$ 12,474,297	191.75%	

**Schedule of Contribution Funding**

<b>Other Post Employment Benefits</b>			
<b>Fiscal Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Actual Contributions Made</b>	<b>Percentage Contributed</b>
2014	\$ 2,190,022	\$ 848,792	38.76%
2013	\$ 2,093,448	\$ 911,970	43.56%
2012	\$ 2,957,819	\$ 925,924	31.30%

The information presented in the above Required Supplementary Schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the Notes to Basic Financial Statements.

**Actuarial Methods:**

Valuation date	July 1, 2012
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	30-year amortization payments
Years remaining at 7/1/2014	25

**Actuarial Assumptions:**

Investment rate of return	4.0% per annum
Discount rate	4.0% per annum
Average salary increase	3.0% per annum
Medical/drug cost trend rate	11.0% in year one decreasing 1.0% annually to an ultimate trend rate of 5.0% per year.

**Plan Membership:**

Current active members	277
Current retirees, beneficiaries and dependents	130
Total	407

**TOWN OF WARE, MASSACHUSETTS**  
**Required Supplementary Information**  
**Schedule of Funding Progress and Employer Contributions**  
**Hampshire County Retirement System**  
**For the Year Ended June 30, 2014**

**Schedule of Funding Progress**

<b>Pension System</b>						
<b>Hampshire County Retirement System</b>						
(Dollars in Thousands)						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2012	\$ 204,116	\$ 367,511	\$ 163,395	55.5%	\$ 68,575	238.3%
1/1/2010	\$ 179,861	\$ 312,878	\$ 133,017	57.5%	\$ 68,276	194.8%
1/1/2007	\$ 163,497	\$ 257,885	\$ 94,388	63.4%	\$ 68,108	138.6%

**Schedule of Funding Progress**

<b>Pension System</b>						
<b>Hampshire County Retirement System</b>				<b>Town</b>		
Fiscal Year Ended	Annual Required Contributions	Actual Contributions (A)	Percentage Contributed	Actual Contributions (B)	Percentage of System-Wide Actual Contributions (B/A)	
6/30/2014	\$ 16,366,433	\$ 16,366,433	100.00%	\$ 1,377,740	8.42%	
6/30/2013	\$ 15,154,105	\$ 15,154,105	100.00%	\$ 1,227,906	8.10%	
6/30/2012	\$ 13,612,578	\$ 13,612,578	100.00%	\$ 1,186,846	8.72%	

The information presented in the above Required Supplementary Schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the Notes to Basic Financial Statements.

**Actuarial Methods:**

Valuation date	January 1, 2012
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Approximate level percent of payroll - closed
Remaining amortization period	21 years for the fresh start base.
Asset valuation method	The actuarial value of assets is adjusted to phase in, over five years investment gains or losses above or below the expected rate of investment return. The actuarial valuation of assets may be no less than 85%, or more than 115% of the market value of assets plus payables and receivables.

**Actuarial Assumptions:**

Investment rate of return	7.875% per year net of investment expenses
Cost of living adjustments	3.0% for the first \$12,000 of retirement income

**Plan Membership:**

Active participants	1,879
Inactive participants	985
Retired participants and beneficiaries receiving benefits	1,111
Total	3,975

## **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, 2014**

	Fund Balances				Other Financing	Fund Balances
	July 1, 2013	Revenues	Expenditures	Sources (Uses)	June 30, 2014	
<b>Special Revenue:</b>						
<b>Federal and State Grants:</b>						
School Grants	\$ 68,692	\$ 1,170,952	\$ 1,163,713	\$ -	\$ -	\$ 75,931
Arts Lottery Council Grant	4,820	4,530	6,359	-	-	2,991
Board of Health Emergency Preparedness Grant	3,677	-	609	-	-	3,068
Clean Energy Choice Grant	515	-	-	-	-	515
Community Development Block Grants	247,042	1,146,841	1,144,819	-	-	249,064
Council on Aging Grants	1,255	16,638	17,447	-	-	446
Disaster Damage Recovery	34,465	-	394,023	-	-	(359,558)
Peer to Peer Grant	-	1,000	1,000	-	-	-
Highway Grants	-	351,990	351,990	-	-	-
Library Grants	22,811	10,472	27,864	-	-	5,419
Public Safety Grants	15,475	24,171	22,880	-	-	16,766
<b>Schools:</b>						
School Lunch Revolving	84,599	559,823	525,894	-	-	118,528
School Lunch Commodities	-	64,056	64,056	-	-	-
School Choice	167,859	202,568	28,157	-	-	342,270
School Revolving Accounts	18,266	95,312	48,744	-	-	64,834
State Special Education Reimbursement Fund	-	192,593	192,593	-	-	-
<b>Other:</b>						
Ambulance	36,982	572,791	-	(607,791)	-	1,982
Council on Aging Center Rental Revolving	3,929	1,447	533	-	-	4,843
Drug Forfeiture	455	1,804	800	-	-	1,459
Gaming Grant	-	4,855	3,945	-	-	910
Gifts and Donations	73,831	118,890	110,663	-	-	82,058
Insurance Reimbursements	5,535	-	-	-	-	5,535
Other Grants and Programs	4,365	1,200	2,367	-	-	3,198
Police Outside Duty	-	250,510	250,510	-	-	-
Recreation Revolving	4,282	22,665	20,930	-	-	6,017
Sale of Cemetery Lots	10,550	816	798	-	-	10,568
Septic Repair Loan Repayments	38,949	-	-	-	-	38,949
Water/Sewer Development	5,677	9	-	-	-	5,686
Municipal Insurance Fund	5,423	128	-	-	-	5,551
<b>Total Special Revenue Funds</b>	<b>\$ 859,454</b>	<b>\$ 4,816,061</b>	<b>\$ 4,380,694</b>	<b>\$ (607,791)</b>	<b>\$ -</b>	<b>\$ 687,030</b>

**TOWN OF WARE, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Fund Balances</b>			<b>Other Financing</b>	<b>Fund Balances</b>
	<b>July 1, 2013</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Sources (Uses)</b>	<b>June 30, 2014</b>
<b>Capital Projects:</b>					
Department of Public Works Equipment	\$ (145,119)	\$ -	\$ -	\$ 144,618	\$ (501)
Fire Station Construction	(911,283)	60,317	109,449	1,000,000	39,585
Goldstein Property	998	-	-	(998)	-
Grenville Park Bandstand Repair	(10,000)	78,400	93,400	25,000	-
Landfill Capping	-	-	-	270,000	270,000
Palmer Road/Beaver Lake Project	5,826	-	-	(5,826)	-
Police Station Windows	-	-	20,000	20,000	-
Police Vehicle	(40,000)	-	-	40,000	-
Pleasant Street Parking Lot	-	-	4,025	100,000	95,975
Senior Center Projects	311	-	-	(311)	-
School Flooring	-	-	73,310	73,311	1
South Street Construction	380	-	-	-	380
Town Hall Window Replacements	1,673	-	25,700	24,326	299
Town Hall Roof Repairs	(6,480)	-	-	30,000	23,520
Underground Storage Tank Removal School	5,806	-	-	-	5,806
<b>Total Capital Projects</b>	<b>(1,097,888)</b>	<b>138,717</b>	<b>325,884</b>	<b>1,720,120</b>	<b>435,065</b>
<b>Perpetual Permanent Funds:</b>					
Cemetery Perpetual Care Funds:					
Aspen Grove Fund	120,507	1,200	-	-	121,707
George L. Draper Fund	10,000	-	-	-	10,000
Susan Connell Fund	4,000	-	-	-	4,000
Josephine Wood Fund	4,101	-	-	-	4,101
Mary Packard Fund	2,000	-	-	-	2,000
Donald Sherman Fund	500	-	-	-	500
<b>Total Perpetual Permanent Funds</b>	<b>\$ 141,108</b>	<b>\$ 1,200</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 142,308</b>

**TOWN OF WARE, MASSACHUSETTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Fund Balances July 1, 2013	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2014
<b>Permanent Funds:</b>					
Cemetery Perpetual Care Funds:					
Aspen Grove Fund	\$ 4,344	\$ 4,541	\$ 1,057	\$ -	\$ 7,828
George L. Draper Fund	(99)	143	-	-	44
Susan Connell Fund	212	67	-	-	279
Helen Handanian Fund	1,471	36	550	-	957
Reed Memorial Fund	4,709	5,964	8,169	-	2,504
Josephine Wood Fund	1,167	124	-	-	1,291
Mary Packard Fund	998	72	42	-	1,028
Donald Sherman Fund	691	28	-	-	719
Gilbert Grenville Park Fund	63,138	14,338	3,923	-	73,553
Reed Swimming Pool Fund	12,147	7,451	7,782	-	11,816
<b>Total Permanent Funds</b>	<b>88,778</b>	<b>32,764</b>	<b>21,523</b>	<b>-</b>	<b>100,019</b>
<b>Total - Non-Major Governmental Funds</b>	<b>\$ (8,548)</b>	<b>\$ 4,988,742</b>	<b>\$ 4,728,101</b>	<b>\$ 1,112,329</b>	<b>\$ 1,364,422</b>

**TOWN OF WARE, MASSACHUSETTS  
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY, SUPPLEMENTAL AND ROLLBACK TAXES  
JULY 1, 2013 TO JUNE 30, 2014**

	Uncollected Taxes July 1, 2013	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2014	Uncollected Taxes Per Detail June 30, 2014
<b>Real Estate Taxes:</b>						
Levy of 2014	\$ -	\$ 12,621,305	\$ 142,583	\$ 12,134,093	\$ 344,629	\$ 344,629
Levy of 2013	292,502	-	34,643	240,405	17,454	17,454
Levy of 2012	9,128	-	2,475	6,955	(302)	(302)
Levy of 2011	-	-	-	-	-	-
	<u>301,630</u>	<u>12,621,305</u>	<u>179,701</u>	<u>12,381,453</u>	<u>361,781</u>	<u>361,781</u>
<b>Personal Property Taxes:</b>						
Levy of 2014	-	386,084	32	381,963	4,089	4,089
Levy of 2013	13,675	-	22	12,202	1,451	1,451
Levy of 2012	11,116	-	-	10,265	851	851
Levy of 2011	1,279	-	-	-	1,279	1,279
Levy of 2010	2,701	-	-	-	2,701	2,701
Prior Years	1,544	-	-	-	1,544	1,544
	<u>30,315</u>	<u>386,084</u>	<u>54</u>	<u>404,430</u>	<u>11,915</u>	<u>11,915</u>
<b>Supplemental Taxes</b>	<u>870</u>	<u>9,074</u>	<u>75</u>	<u>6,336</u>	<u>3,533</u>	<u>3,533</u>
<b>Rollback Taxes</b>	<u>-</u>	<u>20,631</u>	<u>-</u>	<u>7,634</u>	<u>12,997</u>	<u>12,997</u>
<b>Total Real Estate, Personal Property, Supplemental and Rollback Taxes</b>	<u>\$ 332,815</u>	<u>\$ 13,037,094</u>	<u>\$ 179,830</u>	<u>\$ 12,799,853</u>	<u>\$ 390,226</u>	<u>\$ 390,226</u>

**TOWN OF WARE, MASSACHUSETTS  
SCHEDULE OF MOTOR VEHICLE, FARM ANIMAL AND BOAT EXCISE TAXES  
JULY 1, 2013 TO JUNE 30, 2014**

	<b>Uncollected Taxes July 1, 2013</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Taxes June 30, 2014</b>	<b>Uncollected Taxes Per Detail June 30, 2014</b>
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2014	\$ -	\$ 853,287	\$ 18,047	\$ 735,018	\$ 100,222	\$ 99,882
Levy of 2013	121,382	74,565	10,792	158,102	27,053	27,053
Levy of 2012	22,822	-	259	11,466	11,097	11,097
Levy of 2011	10,103	-	22	1,892	8,189	8,189
Levy of 2010	7,395	-	-	1,710	5,685	5,685
Prior Years	69,135	1,515	68,717	1,933	-	-
	<u>230,837</u>	<u>929,367</u>	<u>97,837</u>	<u>910,121</u>	<u>152,246</u>	<u>151,906</u>
<b>Farm Animal Excise Taxes</b>	<u>2,110</u>	<u>2,062</u>	<u>-</u>	<u>1,827</u>	<u>2,345</u>	<u>2,345</u>
<b>Boat Excise Taxes</b>	<u>421</u>	<u>2,685</u>	<u>24</u>	<u>2,460</u>	<u>622</u>	<u>622</u>
<b>Total Motor Vehicle, Farm Animal and Boat Excise Taxes</b>	<u>\$ 233,368</u>	<u>\$ 934,114</u>	<u>\$ 97,861</u>	<u>\$ 914,408</u>	<u>\$ 155,213</u>	<u>\$ 154,873</u>



**TOWN OF WARE, MASSACHUSETTS  
SCHEDULE OF TAX LIENS  
JULY 1, 2013 TO JUNE 30, 2014**

	<b>Uncollected Accounts July 1, 2013</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Accounts June 30, 2014</b>	<b>Uncollected Accounts Per Detail June 30, 2014</b>
<b>Tax Liens</b>	\$ 261,477	\$ 153,526	\$ 61,510	\$ 54,038	\$ 299,455	\$ 299,455

**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, 2014**

**TOWN OF WARE, MASSACHUSETTS**

**Independent Auditors' Reports Pursuant to  
Governmental Auditing Standards and  
The Single Audit Act Amendments of 1996**

**For the Year Ended June 30, 2014**

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

To the Honorable Board of Selectmen  
Town of Ware, Massachusetts

We have audited, 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, 2014, 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 19, 2015.

**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 and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

March 19, 2015

**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, 2014. 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 Cluster (CFDA Nos. 84.027 and 84.173)***

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 and 84.173 - U. S. Department of Education – Special Education Cluster, as described in findings numbers 2014-001 and 2014-002 for Allowable Costs/Cost Principles and Reporting Requirements. 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 Cluster (CFDA Nos. 84.027 and 84.173)***

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 and 84.173 – U. S. Department of Education – Special Education Cluster for the year ended June 30, 2014.

***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, 2014.

**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 2014-001 and 2014-002 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, 2014, 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 19, 2015, 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 and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

March 19, 2015



**TOWN OF WARE, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
<b>U. S. Department of Agriculture</b>			
Passed Through Commonwealth of Massachusetts			
Department of Elementary and Secondary Education:			
Child Nutrition Cluster:			
School Breakfast Program	08-309	10.553	\$ 76,554
National School Lunch Program	08-309	10.555	310,539
Summer Food Service Program for Children	08-309	10.559	15,787
Total Child Nutrition Cluster			<u>402,880</u>
School Lunch Commodities	08-309	10.565	64,056
<b>Total U. S. Department of Agriculture</b>			<u>466,936</u>
<b>U. S. Department of Housing and Urban Development</b>			
Passed Through Commonwealth of Massachusetts			
Executive of Communities and Development:			
Passed Through to Pioneer Valley Planning Commission:			
Massachusetts Small Cities Program:			
Community Development Fund I - FY 2011	0659	14.228	42,885
Community Development Fund I - FY 2012	0679	14.228	663,886
Community Development Fund I - Ware River Valley - FY 2011	0660	14.228	46,960
Community Development Fund I - Ware River Valley - FY 2013	0716	14.228	275,037
Community Development Program Income		14.228	24,521
<b>Total U. S. Department of Housing and Urban Development</b>			<u>1,053,289</u>
<b>TOTAL PAGE 1 OF 3</b>			<u>\$ 1,520,225</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, 2014**

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
<b>U. S. Department of Education</b>			
Passed Through Commonwealth of Massachusetts			
Department of Elementary and Secondary Education:			
Title I, Part A:			
Title I - 2013	305-012708-2013-0309	84.010	\$ 111,423
Title I - 2014	305-017778-2014-0309	84.010	264,456
Title I Supplemental Support - 2014	320-088-4-0309-O	84.010	12,301
Title I School Support - 2013	323-049-3-0309-N	84.010	1,191
Title I School Support - 2014	323-072-4-0309-O	84.010	4,843
Total Title I, Part A			<u>394,214</u>
Special Education Cluster:			
Special Education PL 94-142 Allocation - 2013	240-147-3-0309-N	84.027	10,532
Special Education PL 94-142 Allocation - 2014	240-126-4-0309-O	84.027	362,436
Special Education Program Improvement - 2014	274-091-4-0309-O	84.027	5,573
Early Childhood SPED Program Improvement - 2014	298-245-4-0309-O	84.173	1,911
Total Special Education Cluster, Elementary and Secondary Education			<u>380,452</u>
Improving Teacher Quality State Grants:			
Teacher Quality - 2013	140-012948-2013-0309	84.367	34,819
Teacher Quality - 2014	140-031074-2014-0309	84.367	66,662
Total Improving Teacher Quality State Grants			<u>101,481</u>
Race to the Top Incentive Grants, Recovery Act:			
Race to the Top - 2014	201-028735-2014-0309	84.395	152,382
Total Race to the Top Incentive Grants			<u>152,382</u>
Passed Through Commonwealth of Massachusetts			
Department of Early Education and Care:			
Special Education Cluster:			
Special Education Early Childhood Carryover - 2014	EEC-262	84.173	13,920
Total Special Education Cluster, Early Education and Care			<u>13,920</u>
<b>Total U. S. Department of Education</b>			<u>1,042,449</u>
<b>TOTAL PAGE 2 OF 3</b>			<u>\$ 1,042,449</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, 2014**

Federal Grantor/Pass-Through Grantor/ Program Title	State/ Pass-Through Identification Number	Federal CFDA Number	Federal Awards Expended
<b>U. S. Department of Health and Human Services</b>			
Passed Through Commonwealth of Massachusetts			
Department of Public Health:			
Mass Deployment Units		93.003	\$ 465
Passed Through City of Easthampton, Massachusetts:			
Public Health Emergency Response		93.069	609
<b>Total U. S. Department of Health and Human Services</b>			<u>1,074</u>
<b>U. S. Department of Homeland Security</b>			
Passed Through Commonwealth of Massachusetts			
Emergency Management Agency:			
Emergency Management Performance Grant - FFY 2012		97.042	2,350
<b>Total U. S. Department of Homeland Security</b>			<u>2,350</u>
<b>TOTAL PAGE 3 OF 3</b>			3,424
<b>TOTAL PAGE 2 OF 3</b>			1,042,449
<b>TOTAL PAGE 1 OF 3</b>			1,520,225
<b>TOTAL FEDERAL AWARDS EXPENDED</b>			<u><u>\$ 2,566,098</u></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, 2014**

**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, 2014. 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 position, or cash flows of the Town of Ware, Massachusetts.

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

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

**NOTE C - SUBRECIPIENTS**

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

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Amount Provided</b>
Community Development Block Grant	14.228	<u>\$ 122,068</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**  
**Year Ended June 30, 2014**

**SECTION I – SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of Auditor’s Report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_Yes      X  No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? \_\_\_\_\_Yes      X  No

Noncompliance material to financial statements noted? \_\_\_\_\_Yes      X  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_Yes      X  No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)?   X  Yes    \_\_\_\_\_None Reported

Type of Auditor’s Report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?   X  Yes    \_\_\_\_\_No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</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
84.027, 84.173	U. S. Department of Education – Special Education Cluster
84.395	U. S. Department of Education – Race to the Top Incentive Grants, Recovery Act

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

Auditee qualified as low-risk auditee? \_\_\_\_\_Yes      X  No

**SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Findings are summarized on the following pages 13 and 14.

**TOWN OF WARE, MASSACHUSETTS  
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Finding 2014-001**

**U. S. Department of Education  
Special Education Grants – CFDA No. 84.027  
Special Education Preschool Grants – CFDA No. 84.173**

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

**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 our audit, we did not find any documentation that time and effort certifications were obtained from any employees whose salaries were paid from the Special Education PL 94-142 Allocation grant or the Special Education Early Childhood 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. There has recently been turnover in personnel administering the Special Education programs, both in the Director and the Secretary/Bookkeeper.

**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. The new personnel in the Special Education Department have been provided with samples of the forms.

**Management's Response:**

Management agrees with this finding. The district experienced turnover in the Special education department. A procedure will be developed to ensure they are done when appropriate.

**TOWN OF WARE, MASSACHUSETTS  
SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Finding 2014-002**

**U. S. Department of Education  
Special Education Grants – CFDA No. 84.027**

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

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

**Criteria:**

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

**Condition:**

The Ware School Department filed the Final Financial Reports for the SPED Program Improvement grant and the Early Childhood SPED Program Improvement grant on February 25, 2015. The grant period for these grants ended August 31, 2014 and the Final Financial Reports were due by October 31, 2014. The Final Financial Reports were filed four months late.

**Questioned Costs:**

None noted.

**Cause:**

There has recently been turnover in personnel administering the Special Education programs, both in the Director and the Secretary/Bookkeeper. The previous personnel had prepared the Final Financial Reports for other special education grants on time but did not prepare the Final Financial Reports for the smaller professional development grants within the required time period.

**Effect:**

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

**Recommendation:**

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

**Management's Response:**

Management agrees with this finding and has already implemented a process to ensure timely filing of Final Financial Reports.

**TOWN OF WARE, MASSACHUSETTS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Finding 2013-1: U. S. Department of Education – Special Education Grants (CFDA No. 84.027) – Noncompliance/Significant Deficiency in Internal Control Over Compliance – Period of Availability of Federal Funds**

**Prior Year Comment:**

The finding indicated that the Ware School Department charged to the grant costs for tuition for services prior to the start of the grant period.

**Status:**

All costs charged to the Special Education grants in fiscal year 2014 were for services that were rendered within the grant period.

**Finding 2013-2: U. S. Department of Education – Special Education Grants (CFDA No. 84.027) – Noncompliance/Significant Deficiency in Internal Control Over Compliance – Allowable Costs/Cost Principles**

**Prior Year Comment:**

The finding indicated that the Ware School Department did not obtain time and effort certifications from six of nine employees whose salaries were paid from the Special Education PL 94-142 Allocation grant.

**Status:**

In fiscal year 2014, the Ware School Department did not obtain time and effort certifications from any employees whose salaries were paid from Special Education grants.

The finding is repeated as current audit finding 2014-001.