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***TOWN OF WAREHAM, MASSACHUSETTS***

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

***FISCAL YEAR ENDED JUNE 30, 2011***

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## TOWN OF WAREHAM, MASSACHUSETTS

### REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

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## Independent Auditors' Report

To the Honorable Board of Selectmen  
Town of Wareham, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wareham, Massachusetts, as of and for the fiscal year ended June 30, 2011 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Wareham, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Wareham, Massachusetts, as of June 30, 2011, and the respective changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, on our consideration of the Town of Wareham, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, schedule of funding progress, schedule of employer contributions, other postemployment benefit plan schedule of funding progress and employer contributions, and other postemployment benefit plan actuarial methods and assumptions located after the notes to the basic financial statements, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

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We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

December 15, 2011

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***Management's Discussion and Analysis***

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## **Management's Discussion and Analysis**

As management of the Town of Wareham, we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

### **Financial Highlights**

- The Town's assets exceeded its liabilities at the close of fiscal 2011 by \$137.2 million (net assets).
- Of this amount, 11% or \$15.4 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of fiscal 2011, unassigned fund balance for the general fund was \$1.1 million or 2.0% of total general fund expenditures.
- The General Fund operations resulted in a \$1.3 million decrease in fund balance.
- Wareham's long-term debt decreased by \$3.5 million during the year. This is directly attributed to \$3.5 million in principle paydowns during the current year. No new long-term debt was issued during the fiscal year.
- The Town's Other Postemployment Benefit liability increased by \$4.3 million during FY2011 to a balance of \$13.2 million.
- At fiscal year end the Town's Internal Service fund balance was \$2.8 million after taking into consideration \$552 thousand of "Incurred but not Reported" liability.

### **Overview of the Financial Statements**

Our discussion and analysis of the Town is intended to serve as an introduction to the Town of Wareham's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This analysis also contains other required 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 the Town's finances, in a manner similar to private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the Town 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 of the Town include general government, public safety, education, public works, human services, community preservation, culture and recreation and debt interest. The business-type activities of the Town include the water pollution control facility.

The government-wide financial statements have no component units.

**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 of the Town 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 and outflows 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 financing requirements.

Fiscal year 2011 was the Town's initial year of implementation of GASB #54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The implementation of this standard has changed the fund balance components into nonspendable, restricted, committed, assigned and unassigned. Additionally, under the new standard, the Town's stabilization fund is reported within the general fund as unassigned.

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 decisions. 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 Wareham maintains approximately 320 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is the Town's major governmental fund. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation, the non-major fund.

The Town of Wareham adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided as Required Supplementary Information for the general fund to demonstrate compliance with this budget.

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**Proprietary funds.** The Town maintains two different types of proprietary funds. *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 pollution control facility activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses an internal service fund to account for health and dental insurance activities. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water pollution control facility which is considered to be a major fund of the Town. The internal service fund is presented as a single column in the proprietary fund financial statements.

**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 statement because the resources of those funds are *not* available to support the Town's own programs.

**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.

## Government-wide Financial Analysis

### Governmental Activities

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As noted below, assets exceeded liabilities by approximately \$77.5 million at the close of fiscal year 2011.

	<b>FY2011</b>		<b>FY2010</b>
	<b>Governmental</b>		<b>Governmental</b>
	<b>Activities</b>		<b>Activities</b>
	<hr/>		<hr/>
<b>Assets:</b>			
Current assets.....	\$ 19,561,972	\$	19,474,786
Noncurrent assets (excluding capital).....	2,390,275		2,496,759
Capital assets.....	77,542,589		78,463,089
Total assets.....	<b>99,494,836</b>		<b>100,434,634</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt).....	3,125,265		3,230,060
Noncurrent liabilities (excluding debt).....	13,862,916		9,669,744
Current debt.....	1,840,277		921,999
Noncurrent debt.....	3,186,190		3,738,715
Total liabilities.....	<b>22,014,648</b>		<b>17,560,518</b>
<b>Net Assets:</b>			
Capital assets net of related debt.....	74,636,588		73,905,163
Restricted.....	5,665,649		7,799,109
Unrestricted.....	(2,822,049)		1,169,844
Total net assets.....	<b>77,480,188</b>	\$	<b>82,874,116</b>

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A significant portion of the Town's governmental net assets, \$74.6 million, 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 Town's 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 Town's net assets, \$5.7 million, represents resources that are subject to external restrictions on how they may be used. The Town has \$10.1 million of unrestricted net assets without considering the recorded liability related to other postemployment benefits of \$12.9 million. The OPEB liability is long-term in nature, and will not be funded from the \$10.1 million of unrestricted net assets at June 30, 2011.

At the end of the current fiscal year, the Town is able to report positive balances in two out of three categories of net assets.

The governmental activities net assets decreased by (\$5.4) million during the current fiscal year. This was primarily due to the Other Postemployment Benefit liability increasing by \$4.2, the fact that depreciation exceeded principal payments on bonds by \$2.3 million. These decreases were offset by the timing between the reimbursement and expenditure of various grants and the recognition of the Town's receivables on the full accrual basis of accounting. Key elements of change in net assets are as follows:

	<b>FY2011</b>		<b>FY2010</b>
	<b>Governmental</b>		<b>Governmental</b>
	<b>Activities</b>		<b>Activities</b>
<b>Program revenues:</b>			
Charges for services.....	\$ 4,818,405	\$	5,143,029
Operating grants and contributions.....	24,962,426		24,349,532
Capital grants and contributions.....	932,327		2,180,136
<b>General Revenues:</b>			
Real estate and personal property taxes.....	29,809,147		29,092,296
Tax liens.....	170,555		303,343
Motor vehicle and other excise taxes.....	2,145,774		2,071,116
Community preservation surtax.....	580,779		583,198
Penalties and interest on taxes.....	266,985		466,516
Grants and contributions not restricted to specific programs.....	2,884,643		2,534,268
Unrestricted investment income.....	51,811		143,909
Gain/(loss) on sale of capital assets.....	22,100		211,498
Miscellaneous.....	30,558		33,945
Net unreconciled activity.....	-		(919,234)
Total revenues.....	<b>66,675,510</b>		<b>66,193,552</b>
<b>Expenses:</b>			
General government.....	7,219,836		7,640,506
Public safety.....	9,439,666		9,494,621
Education.....	49,688,703		46,247,726
Public works.....	3,964,558		3,889,460
Human services.....	1,088,248		1,176,884
Community preservation.....	94,124		98,791
Culture and recreation.....	869,534		692,877
Interest.....	166,994		183,655
Total expenses.....	<b>72,531,663</b>		<b>69,424,520</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(5,856,153)</b>		<b>(3,230,968)</b>
<b>Transfers.....</b>	<b>462,225</b>		<b>649,535</b>
<b>Change in net assets.....</b>	<b>\$ (5,393,928)</b>	<b>\$</b>	<b>(2,581,433)</b>

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The governmental expenses totaled \$72.5 million of which \$30.7 million (42%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$35.9 million, primarily consisting of property taxes, motor vehicle excise and non-restricted state aid.

## **Business-type activities – Water Pollution Control**

Business-type activities assets exceeded liabilities by \$59.7 million as the close of fiscal year 2011. The following table identifies key elements of the enterprise operations:

	<b>FY2011 Business-type Activities</b>	<b>FY2010 Business-type Activities</b>
<b>Assets:</b>		
Current assets.....	\$ 9,029,629	\$ 9,960,818
Noncurrent assets (excluding capital).....	19,629,453	15,546,902
Capital assets.....	71,731,766	68,685,159
Total assets.....	<b>100,390,848</b>	<b>94,192,879</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	2,118,075	1,808,285
Noncurrent liabilities (excluding debt).....	330,000	250,000
Current debt.....	5,439,519	3,637,741
Noncurrent debt.....	32,761,225	35,634,726
Total liabilities.....	<b>40,648,819</b>	<b>41,330,752</b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	41,530,912	35,307,965
Unrestricted.....	18,211,117	17,554,162
Total net assets.....	<b>\$ 59,742,029</b>	<b>\$ 52,862,127</b>
<b>Program revenues:</b>		
Charges for services.....	\$ 5,799,879	\$ 5,609,189
Capital grants and contributions.....	7,387,891	2,519,241
<b>General Revenues:</b>		
Unrestricted investment income.....	1,158	46,251
Total revenues.....	<b>13,188,928</b>	<b>8,174,681</b>
<b>Expenses:</b>		
Water Pollution Control Facility.....	5,846,801	5,483,915
<b>Excess (Deficiency) before transfers.....</b>	<b>7,342,127</b>	<b>2,690,766</b>
<b>Transfers.....</b>	<b>(462,225)</b>	<b>(649,535)</b>
<b>Change in net assets.....</b>	<b>\$ 6,879,902</b>	<b>\$ 2,041,231</b>

Business-type net assets of \$41.5 million (70%) represent the investment in capital assets, while \$18.2 million (30%) is unrestricted. The Town's business-type activity net assets increased by \$6.9 million in the current fiscal year, this is primarily due to a \$191 thousand increase in charges for services and the recognition of \$6.8 million of special assessment revenues offset by a transfer to the general fund for indirect costs associated with the operations of the Water Pollution Control Facility.

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## **Financial Analysis of the Town's Governmental Funds**

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$7.4 million, of which \$1.1 million relates to the general fund and \$6.3 million relates to the nonmajor funds. Cumulatively there was a decrease of \$291 thousand in fund balances from the prior year that is due to a decrease of \$1.3 million in the general fund and an increase of \$1.0 million in the nonmajor fund.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1.1 million, while total fund balance was also \$1.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 2.0% of total general fund expenditures, while total fund balance represents 2.0% of that same amount. During fiscal year 2011, the fund balance of the general fund decreased by \$1.3 million. This decrease was primarily due to the Town's anticipated use of free cash to fund the operating budget, and an accrual for appellate tax board cases of \$124 thousand, these decreases were offset by the recognition of \$148 thousand of 60 day receipt revenue and the collection of \$448 thousand of tax lien revenues.

The internal service fund ending net assets was \$2.8 million. This is an increase of \$404 thousand over the prior year primarily due to contributions to the fund exceeding claim payments by \$399 thousand and the recognition of \$5 thousand of investment income.

### **General Fund Budgetary Highlights**

During the year there was an increase of \$134 thousand in appropriations between the original and final amended budget. This was the net result of various appropriation increases and decreases at the fall Town Meeting primarily within education, public works, human services and transfers out.

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

#### Capital Asset Administration

The Town of Wareham's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounts to \$149,274,355 (net of depreciation). This investment in capital assets includes land, buildings, improvements to land and buildings, machinery and equipment, and infrastructure.

The total increase in the Town of Wareham's investment in capital assets for the current year was \$2,126,107 which consisted of a decrease of (\$920,500) for governmental activities offset by an increase of \$3,046,607 in the business-type activities. The decrease in governmental assets is due to current year depreciation exceeding current year additions. The increase in business-type activities is primarily due to current year additions exceeding current year depreciation.

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## Town of Wareham's Capital Assets (net of depreciation)

ASSETS	Governmental activities		Business-type activities	
	2011	2010	2011	2010
Land.....	\$ 4,501,889	\$ 4,501,889	\$ 4,842,708	\$ 4,842,708
Construction in progress.....	-	-	5,072,858	6,382,699
Buildings.....	38,495,183	39,718,966	25,161,370	25,761,009
Land Improvements.....	2,962,337	3,178,049	-	-
Machinery and equipment.....	2,255,110	2,127,059	4,168,183	4,593,884
Infrastructure.....	<u>29,328,070</u>	<u>28,937,126</u>	<u>32,486,647</u>	<u>27,104,859</u>
<b>Total assets</b>	<b>\$ <u>77,542,589</u></b>	<b>\$ <u>78,463,089</u></b>	<b>\$ <u>71,731,766</u></b>	<b>\$ <u>68,685,159</u></b>

### Debt Administration

At the end of the current fiscal year, the Town of Wareham had total debt outstanding of \$43,227,211. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the government. Of this amount \$3,853,770 is in short term notes, and the remaining \$39,373,441 is in outstanding long-term bonds. During fiscal 2011, the Town retired long-term debt of \$3,509,740.

The Town has authorized but unissued debt of \$7,473,000.

The Town has an "A1" rating from Moody's for issuing general obligation debt.

Please refer to notes 4, 6, 7, and 8 for further discussion of the major capital and debt activity.

### ***Economic Factors and Next Year's Budget***

Major factors considered in preparing the Town's 2012 budget were:

- Potential cuts in State aid
- Reduced local receipts as a result of the current and anticipated economic downturn
- Constraints on the use of free cash to balance the budget

The Town expects State aid to be reduced in the next fiscal year by an undetermined amount and has made efforts to reduce the expenditures to offset revenue reductions.

In 2011, the water pollution control EDU (Equalized Dwelling Unit) rates increased to \$5.96.

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

This financial report is designed to provide a general overview of the Town of Wareham'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 at Wareham Town Hall, 54 Marion Road, Wareham, Massachusetts 02571.

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***Basic Financial Statements***

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## STATEMENT OF NET ASSETS

JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 13,346,731	\$ 6,147,556	\$ 19,494,287
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	885,017	-	885,017
Tax liens.....	2,078,868	376,950	2,455,818
Motor vehicle excise taxes.....	537,053	-	537,053
User fees.....	-	901,275	901,275
Loans.....	85,536	-	85,536
Departmental and other.....	874,466	-	874,466
Special assessments.....	65,461	667,461	732,922
Intergovernmental.....	1,089,132	936,387	2,025,519
Tax foreclosures.....	438,310	-	438,310
Working capital deposit.....	85,300	-	85,300
Other assets.....	76,098	-	76,098
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	6,947,690	6,947,690
Special assessments.....	575,635	12,681,763	13,257,398
Loans.....	1,814,640	-	1,814,640
Capital assets, non-depreciable.....	4,501,889	9,915,566	14,417,455
Capital assets, depreciable.....	73,040,700	61,816,200	134,856,900
<b>TOTAL ASSETS.....</b>	<b>99,494,836</b>	<b>100,390,848</b>	<b>199,885,684</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	1,199,875	1,580,972	2,780,847
Health claims payable.....	551,608	-	551,608
Tax refunds payable.....	124,000	-	124,000
Accrued interest.....	22,479	488,103	510,582
Payroll withholdings.....	318,239	-	318,239
Abandoned property.....	8,269	-	8,269
Other liabilities.....	15,967	-	15,967
Capital lease obligations.....	90,828	-	90,828
Compensated absences.....	794,000	49,000	843,000
Notes payable.....	1,287,752	2,566,018	3,853,770
Bonds payable.....	552,525	2,873,501	3,426,026
<b>NONCURRENT:</b>			
Capital lease obligations.....	94,916	-	94,916
Compensated absences.....	831,000	35,000	866,000
Other postemployment benefits.....	12,937,000	295,000	13,232,000
Bonds payable.....	3,186,190	32,761,225	35,947,415
<b>TOTAL LIABILITIES.....</b>	<b>22,014,648</b>	<b>40,648,819</b>	<b>62,663,467</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	74,636,588	41,530,912	116,167,500
Restricted for:			
Streets.....	1,089,132	-	1,089,132
Community preservation.....	2,165,580	-	2,165,580
Permanent funds:			
Expendable.....	316,198	-	316,198
Nonexpendable.....	343,041	-	343,041
Grants and gifts.....	1,751,698	-	1,751,698
Unrestricted.....	(2,822,049)	18,211,117	15,389,068
<b>TOTAL NET ASSETS.....</b>	<b>\$ 77,480,188</b>	<b>\$ 59,742,029</b>	<b>\$ 137,222,217</b>

See notes to basic financial statements.

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## STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 7,219,836	\$ 1,483,419	\$ 561,244	\$ -	\$ (5,175,173)
Public safety.....	9,439,666	1,208,927	329,076	-	(7,901,663)
Education.....	49,688,703	1,509,823	23,725,512	-	(24,453,368)
Public works.....	3,964,558	331,371	14,634	735,129	(2,883,424)
Human services.....	1,088,248	223,600	249,671	-	(614,977)
Community preservation.....	94,124	-	-	197,198	103,074
Culture and recreation.....	869,534	61,265	82,289	-	(725,980)
Interest.....	166,994	-	-	-	(166,994)
Total Governmental Activities.....	<u>72,531,663</u>	<u>4,818,405</u>	<u>24,962,426</u>	<u>932,327</u>	<b>(41,818,505)</b>
<i>Business-Type Activities:</i>					
Water Pollution Control Facility.....	<u>5,846,801</u>	<u>5,799,879</u>	<u>-</u>	<u>7,387,891</u>	<b>7,340,969</b>
Total Primary Government.....	<u>\$ 78,378,464</u>	<u>\$ 10,618,284</u>	<u>\$ 24,962,426</u>	<u>\$ 8,320,218</u>	<b>\$ (34,477,536)</b>

See notes to basic financial statements.

(Continued)

# DRAFT

## STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue from previous page.....	\$ <b>(41,818,505)</b>	\$ <b>7,340,969</b>	\$ <b>(34,477,536)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	29,809,147	-	29,809,147
Tax liens.....	170,555	-	170,555
Motor vehicle and other excise taxes.....	2,145,774	-	2,145,774
Penalties and interest on taxes.....	266,985	-	266,985
Community preservation surtax.....	580,779	-	580,779
Grants and contributions not restricted to specific programs.....	2,884,643	-	2,884,643
Unrestricted investment income.....	51,811	1,158	52,969
Gain on sale of real estate.....	22,100	-	22,100
Miscellaneous.....	30,558	-	30,558
<i>Transfers, net</i> .....	462,225	(462,225)	-
Total general revenues and transfers.....	36,424,577	(461,067)	35,963,510
Change in net assets.....	(5,393,928)	6,879,902	1,485,974
<i>Net Assets:</i>			
Beginning of year.....	82,874,116	52,862,127	135,736,243
End of year.....	\$ <u>77,480,188</u>	\$ <u>59,742,029</u>	\$ <u>137,222,217</u>

(Concluded)

# DRAFT

## GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2011

<b>ASSETS</b>	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents.....	\$ 2,067,473	\$ 7,737,623	\$ 9,805,096
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	869,718	15,299	885,017
Tax liens.....	2,060,353	18,515	2,078,868
Motor vehicle excise taxes.....	537,053	-	537,053
Departmental and other.....	502,737	371,729	874,466
Special assessments.....	-	641,096	641,096
Intergovernmental.....	-	1,089,132	1,089,132
Loans.....	-	1,900,176	1,900,176
Tax foreclosures.....	438,310	-	438,310
<b>TOTAL ASSETS.....</b>	<b>\$ 6,475,644</b>	<b>\$ 11,773,570</b>	<b>\$ 18,249,214</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Warrants payable.....	\$ 944,760	\$ 207,953	\$ 1,152,713
Tax refunds payable.....	124,000	-	124,000
Payroll withholdings.....	754	-	754
Abandoned property.....	8,269	-	8,269
Other liabilities.....	14,717	1,250	15,967
Deferred revenues.....	4,260,111	4,035,947	8,296,058
Notes payable.....	-	1,287,752	1,287,752
<b>TOTAL LIABILITIES.....</b>	<b>5,352,611</b>	<b>5,532,902</b>	<b>10,885,513</b>
<b>FUND BALANCES:</b>			
Nonspendable.....	-	343,041	343,041
Restricted.....	-	6,455,144	6,455,144
Assigned.....	420	-	420
Unassigned.....	1,122,613	(557,517)	565,096
<b>TOTAL FUND BALANCES.....</b>	<b>1,123,033</b>	<b>6,240,668</b>	<b>7,363,701</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 6,475,644</b>	<b>\$ 11,773,570</b>	<b>\$ 18,249,214</b>

See notes to basic financial statements.

# DRAFT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2011

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Total governmental fund balances.....	\$	7,363,701
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		77,542,589
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		8,296,058
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....		2,786,778
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(22,479)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable.....	(3,738,715)	
Capital lease obligations.....	(185,744)	
Other postemployment benefits.....	(12,937,000)	
Compensated absences.....	<u>(1,625,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(18,486,459)</u>
Net assets of governmental activities.....	\$	<u>77,480,188</u>

See notes to basic financial statements.

# DRAFT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2011

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Real estate and personal property taxes, net of tax refunds.....	\$ 29,774,088	\$ -	\$ 29,774,088
Community preservation surtax.....	-	579,832	579,832
Tax liens.....	448,387	3,845	452,232
Motor vehicle and other excise taxes.....	2,124,801	-	2,124,801
Charges for services.....	830,641	447,178	1,277,819
Penalties and interest on taxes.....	257,530	9,455	266,985
Fees and rentals.....	-	1,296,185	1,296,185
Licenses and permits.....	774,340	-	774,340
Fines and forfeitures.....	111,183	-	111,183
Intergovernmental.....	20,573,755	8,575,118	29,148,873
Departmental and other.....	30,558	1,424,731	1,455,289
Contributions.....	-	582,454	582,454
Investment income (loss).....	41,508	4,818	46,326
<b>TOTAL REVENUES.....</b>	<b>54,966,791</b>	<b>12,923,616</b>	<b>67,890,407</b>
<b>EXPENDITURES:</b>			
Current:			
General government.....	2,759,583	1,437,359	4,196,942
Public safety.....	4,847,401	1,576,944	6,424,345
Education.....	28,248,035	6,455,719	34,703,754
Public works.....	2,029,130	1,812,754	3,841,884
Human services.....	593,225	185,271	778,496
Community preservation.....	-	91,677	91,677
Culture and recreation.....	401,700	175,567	577,267
Pension benefits.....	8,547,418	-	8,547,418
Employee benefits.....	6,330,728	-	6,330,728
State and county charges.....	2,127,324	-	2,127,324
Debt service:			
Principal.....	796,999	75,000	871,999
Interest.....	134,714	39,551	174,265
<b>TOTAL EXPENDITURES.....</b>	<b>56,816,257</b>	<b>11,849,842</b>	<b>68,666,099</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(1,849,466)</b>	<b>1,073,774</b>	<b>(775,692)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of real estate.....	-	22,100	22,100
Transfers in.....	653,715	130,000	783,715
Transfers out.....	(130,000)	(191,490)	(321,490)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>523,715</b>	<b>(39,390)</b>	<b>484,325</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(1,325,751)</b>	<b>1,034,384</b>	<b>(291,367)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR (AS REVISED).....</b>	<b>2,448,784</b>	<b>5,206,284</b>	<b>7,655,068</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 1,123,033</b>	<b>\$ 6,240,668</b>	<b>\$ 7,363,701</b>

See notes to basic financial statements.

# DRAFT

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds.....	\$	(291,367)
<p>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 reported as depreciation expense.</p>		
Capital outlay.....	2,222,970	
Depreciation expense.....	<u>(3,143,470)</u>	
Net effect of reporting capital assets.....		(920,500)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		(1,242,482)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Net effect of reporting long-term debt.....		871,999
<p>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 the governmental funds.</p>		
Net change in compensated absences.....	(88,000)	
Net change in accrued interest on long-term debt.....	7,271	
Net change in capital lease obligation.....	95,011	
Net change in other postemployment benefits.....	<u>(4,230,000)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		(4,215,718)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>404,140</u>
Change in net assets of governmental activities.....	\$	<u>(5,393,928)</u>

See notes to basic financial statements.

# DRAFT

## PROPRIETARY FUNDS STATEMENT OF NET ASSETS

JUNE 30, 2011

	Business-type Activities	Governmental Activities - Internal Service Funds
	Water Pollution Control Facility	
<b>ASSETS</b>		
<b>CURRENT:</b>		
Cash and cash equivalents.....	\$ 6,147,556	\$ 3,541,635
Receivables, net of allowance for uncollectibles:		
User fees.....	901,275	-
Sewer liens.....	376,950	-
Departmental and other.....	-	76,098
Special assessments.....	667,461	-
Intergovernmental.....	936,387	-
Working capital deposit.....	-	85,300
	<u>9,029,629</u>	<u>3,703,033</u>
Total current assets.....		
<b>NONCURRENT:</b>		
Receivables, net of allowance for uncollectibles:		
Intergovernmental.....	6,947,690	-
Special assessments.....	12,681,763	-
Capital assets, non depreciable.....	9,915,566	-
Capital assets, depreciable.....	61,816,200	-
	<u>91,361,219</u>	<u>-</u>
Total noncurrent assets.....		
<b>TOTAL ASSETS.....</b>	<u><b>100,390,848</b></u>	<u><b>3,703,033</b></u>
<b>LIABILITIES</b>		
<b>CURRENT:</b>		
Warrants payable.....	1,580,972	47,162
Health claims payable.....	-	551,608
Accrued interest.....	488,103	-
Payroll withholdings.....	-	317,485
Compensated absences.....	49,000	-
Notes payable.....	2,566,018	-
Bonds payable.....	2,873,501	-
	<u>7,557,594</u>	<u>916,255</u>
Total current liabilities.....		
<b>NONCURRENT:</b>		
Compensated absences.....	35,000	-
Other postemployment benefits.....	295,000	-
Bonds payable.....	32,761,225	-
	<u>33,091,225</u>	<u>-</u>
Total noncurrent liabilities.....		
<b>TOTAL LIABILITIES.....</b>	<u><b>40,648,819</b></u>	<u><b>916,255</b></u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt.....	41,530,912	-
Unrestricted.....	18,211,117	2,786,778
	<u>59,742,029</u>	<u>2,786,778</u>
<b>TOTAL NET ASSETS.....</b>	<u><b>\$ 59,742,029</b></u>	<u><b>\$ 2,786,778</b></u>

See notes to basic financial statements.

# DRAFT

## PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities	Governmental Activities - Internal Service Funds
	Water Pollution Control Facility	
<b>OPERATING REVENUES:</b>		
Employee contributions.....	\$ -	\$ 2,288,022
Employer contributions.....	-	5,776,326
Charges for services.....	5,616,129	-
Other.....	183,750	-
TOTAL OPERATING REVENUES .....	<u>5,799,879</u>	<u>8,064,348</u>
<b>OPERATING EXPENSES:</b>		
Cost of services and administration.....	2,098,594	-
Depreciation.....	2,294,979	-
Employee benefits .....	-	7,665,693
TOTAL OPERATING EXPENSES .....	<u>4,393,573</u>	<u>7,665,693</u>
OPERATING INCOME (LOSS).....	<u>1,406,306</u>	<u>398,655</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income.....	1,158	5,485
Interest expense.....	(1,453,228)	-
Intergovernmental.....	631,094	-
Betterments and interest on betterments.....	6,756,797	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	<u>5,935,821</u>	<u>5,485</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS.....	<u>7,342,127</u>	<u>404,140</u>
<b>TRANSFERS:</b>		
Transfers out.....	<u>(462,225)</u>	<u>-</u>
CHANGE IN NET ASSETS.....	6,879,902	404,140
NET ASSETS AT BEGINNING OF YEAR.....	<u>52,862,127</u>	<u>2,382,638</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 59,742,029</u>	<u>\$ 2,786,778</u>

See notes to basic financial statements.

# DRAFT

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities	Governmental Activities - Internal Service Funds
	Water Pollution Control Facility	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Receipts from customers and users.....	\$ 5,729,891	\$ -
Receipts from interfund services provided.....	-	8,064,348
Payments to vendors.....	(1,321,232)	-
Payments to employees.....	(652,093)	-
Payments for interfund services used.....	-	(7,954,725)
	<u>3,756,566</u>	<u>109,623</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>		
Transfers out.....	(462,225)	-
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>		
Proceeds from the issuance of bonds and notes.....	5,016,300	-
Acquisition and construction of capital assets.....	(5,102,127)	-
Principal payments on bonds and notes.....	(3,038,576)	-
Betterments and interest on betterments.....	1,618,719	-
Interest expense.....	(797,072)	-
	<u>(2,302,756)</u>	<u>-</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Investment income.....	1,158	5,485
	<u>992,743</u>	<u>115,108</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>5,154,813</u>	<u>3,426,527</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 6,147,556</u>	<u>\$ 3,541,635</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>		
Operating income (loss).....	\$ 1,406,306	\$ 398,655
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation.....	2,294,979	-
Changes in assets and liabilities:		
Tax liens.....	(154,537)	-
User fees.....	(103,929)	-
Departmental and other.....	-	180,174
Intergovernmental.....	188,478	-
Working capital deposit.....	-	(4,800)
Other postemployment benefits obligation.....	89,000	-
Warrants payable.....	40,269	(47,591)
Health claims payable.....	-	(393,218)
Payroll withholdings.....	-	(23,597)
Accrued compensated absences.....	(4,000)	-
	<u>2,350,260</u>	<u>(289,032)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 3,756,566</u>	<u>\$ 109,623</u>
<b><u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u></b>		
Principal and interest intergovernmental subsidies.....	\$ (1,230,259)	\$ -

See notes to basic financial statements.

# DRAFT

## FIDUCIARY FUNDS STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
CURRENT:		
Cash and cash equivalents.....	\$ 627,920	\$ 831,983
<b>LIABILITIES</b>		
Warrants payable.....	-	76,953
Liabilities due depositors.....	-	755,030
TOTAL LIABILITIES.....	-	831,983
<b>NET ASSETS</b>		
Held in trust for other purposes.....	\$ 627,920	\$ -

See notes to basic financial statements.

# DRAFT

## FIDUCIARY FUNDS STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Contributions.....	\$ 66,000
Investment income.....	<u>3,005</u>
 TOTAL ADDITIONS.....	 <u>69,005</u>
 <u>DEDUCTIONS:</u>	
Educational scholarships.....	<u>41,665</u>
 CHANGE IN NET ASSETS.....	 27,340
NET ASSETS AT BEGINNING OF YEAR.....	<u>600,580</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 627,920</u>

See notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The Town of Wareham, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, 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. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. It has been determined that there are no component units that meet the requirements for inclusion in the Town's financial statements.

*Joint Venture* – The Town has entered into a joint venture with other municipalities to pool resources and share costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The Town is a participant in the Upper Cape Cod Regional Technical School. The powers and duties of the regional school district are vested in and exercised by a regional school district committee composed of representatives of the member Towns of Bourne, Falmouth, Marion, Sandwich, and Wareham Massachusetts. The committee has all powers and duties conferred and imposed upon regional school district committee's by law. Annual assessments are levied by the District against member Towns based on the relative enrollment. The Town of Wareham's fiscal 2011 assessment totaled \$2,137,782. The District's financial statements are audited by another independent accounting firm on an annual basis and are not reviewed by the Town's independent auditors. Financial statements are available at Upper Cape Cod Regional Technical School, which is located at 220 Sandwich Road, Bourne, MA 02532.

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

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) 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.

***Fund Financial Statements***

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds 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.

*Major Fund Criteria*

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

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Internal service funds 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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal 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.

The statement of activities demonstrates the degree to which the direct expenses of a particular 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 the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

*Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues

are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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 following major governmental funds are reported:

The *General Fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

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

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

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and trust funds or reported as a major fund).

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.

**Proprietary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major proprietary funds are reported:

The *Water Pollution Control Facility Fund (WPCF)* accounts for the operation and maintenance of the Town's sanitary sewer collection and disposal system.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to the self-insured employee health and dental program.

**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 by the Town for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to authorize spending of the realized investment earnings. The Town's educational scholarship trusts are accounted for in this fund.

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

#### *Government-Wide and Fund Financial Statements*

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

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. Investments are carried at fair value.

#### E. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

#### ***Real Estate, Personal Property Taxes and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate tax liens are processed within two years after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

### ***Motor Vehicle and Other Excise Taxes***

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value. Boat excise taxes are assessed annually for each boat registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of boats registered and the fair value of those boats. The tax calculation is the fair value of the boat multiplied by \$10 per \$1,000 of value.

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

### ***WPCF User Charges***

Commercial and residential user fees are billed semiannually. All billings are based on the Equalized Dwelling Unit (EDU) system and are subject to penalties and interest if they are not paid by their respective due dates. WPCF liens are processed in the subsequent year as a lien on the property owner's tax bill. WPCF charges and related liens are recorded as receivables in the fiscal year of the levy.

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

### ***Departmental and Other***

Departmental and other receivables are recorded as receivables in the fiscal year accrued. The allowance for uncollectible is estimated based on historical trends and specific account analysis.

Outstanding ambulance receivables more than 180 days old are deemed uncollectible.

### ***Intergovernmental***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded 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 uncollectible.

### ***Loans***

The Town administers loan programs that provide housing assistance to residents and capital needs assistance for small businesses. Upon issuance, a receivable is recorded for the principal amount of the loan.

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

**F. Inventories**

*Government-Wide and Fund Financial Statements*

Inventories are recorded as expenditures at the time of purchase in the fund financial statements. Such inventories are not material in total to the government-wide financial statements, and therefore are not reported.

**G. Capital Assets**

*Government-Wide and Proprietary Fund Financial Statements*

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (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, and the proprietary fund 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 at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

Capital assets, other than infrastructure assets, are defined by the Town as assets with an initial, individual cost of more than amounts shown below and an estimated useful life in excess of one year.

<u>Capital Asset Type</u>	<u>Capitalization Threshold</u>
Buildings and land.....	\$ 100,000
Building and land improvements.....	25,000
Machinery and equipment.....	25,000
Infrastructure.....	500,000

The Town reports infrastructure assets on the network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements in accordance with policy above.

In the case of the initial capitalization of general infrastructure assets (i.e. those reported by governmental activities) the Town chose to include all such items regardless of their acquisition date or amount. The Town was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e. estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost of the acquisition year or estimated acquisition year). As the Town constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20
Buildings and improvements.....	20-40
Machinery and equipment.....	5-20
Infrastructure.....	30-50

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.

*Governmental Fund Financial Statements*

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

H. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

*Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as “internal balances”.

*Fund Financial Statements*

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as “Due from other funds” or “Due to other funds” on the balance sheet.

I. Interfund Transfers

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

*Government-Wide Financial Statements*

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as “Transfers, net”.

*Fund Financial Statements*

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

J. Deferred Revenue

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

K. Net Assets and Fund Equity*Government-Wide Financial Statements (Net Assets)*

Net assets reported as “invested in capital assets, net of related debt” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

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

Net assets have been “restricted for” the following:

“Streets” - represents amounts committed by the Commonwealth of Massachusetts under the Chapter 90 program for repair and/or reconstruction of streets and sidewalks.

“Community preservation” - represents amount raised for the purpose of ongoing community preservation activities.

“Permanent funds – expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings that support governmental programs.

“Permanent funds – nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Grants and gifts” – represents amounts with restrictions placed on them by outside parties.

*Fund Financial Statements (Fund Balances)*

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

#### L. Long-term debt

##### *Government-Wide and Proprietary Fund Financial Statements*

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

##### *Governmental Fund Financial Statements*

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

#### M. Investment Income

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 Law (MGL).

Investment income from proprietary funds, trust funds, and internal service funds is retained within the respective fund.

#### N. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

*Government-Wide and Proprietary Fund Financial Statements*

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

*Governmental Fund Financial Statements*

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

O. Use of Estimates*Government-Wide and Fund Financial Statements*

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 the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

P. Individual Fund Deficits

There are several individual fund deficits within the Capital Projects Funds. These deficits will be funded through available fund balance and bond proceeds in future fiscal years.

Q. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

*Fund Financial Statements*

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

**NOTE 2 - CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and cash equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. At fiscal year-end, the carrying amount of deposits totaled \$20,954,190 and the bank balance totaled \$22,729,498. Of the bank balance, \$2,150,920 was covered by Federal Depository Insurance, and \$20,578,578 was collateralized. The Town has a policy that states that no more than 10% of the Town's cash can be maintained as unsecured. The Town is in compliance with this requirement.

Investments

As of June 30, 2011 the Town did not have any investments.

**NOTE 3 – RECEIVABLES**

At June 30, 2011, receivables for the individual major and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 916,017	\$ (31,000)	\$ 885,017
Tax liens.....	2,078,868	-	2,078,868
Motor vehicle and other excise taxes.....	630,053	(93,000)	537,053
Departmental and other.....	1,175,466	(301,000)	874,466
Special assessments.....	641,096	-	641,096
Intergovernmental.....	1,089,132	-	1,089,132
Loans.....	2,233,176	(333,000)	1,900,176
Total.....	<u>\$ 8,763,808</u>	<u>\$ (758,000)</u>	<u>\$ 8,005,808</u>

At June 30, 2011, receivables for the enterprise funds consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
User fees.....	\$ 901,275	\$ -	\$ 901,275
Tax liens.....	376,950	-	376,950
Special assessments.....	13,349,224	-	13,349,224
Intergovernmental.....	7,884,077	-	7,884,077
Total.....	<u>\$ 22,511,526</u>	<u>\$ -</u>	<u>\$ 22,511,526</u>

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

	General Fund	Nonmajor Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate, personal property and tax deferrals.....	\$ 721,658	\$ 15,299	\$ 736,957
Tax liens.....	2,060,353	18,515	2,078,868
Motor vehicle and other excise.....	537,053	-	537,053
Departmental and other.....	502,737	371,729	874,466
Special assessments.....	-	641,096	641,096
Intergovernmental.....	-	1,089,132	1,089,132
Loans.....	-	1,900,176	1,900,176
Tax foreclosures.....	438,310	-	438,310
<b>Total.....</b>	<b>\$ 4,260,111</b>	<b>\$ 4,035,947</b>	<b>\$ 8,296,058</b>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,501,889	\$ -	\$ -	\$ 4,501,889
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	68,077,646	-	-	68,077,646
Land improvements.....	4,338,491	-	-	4,338,491
Machinery and equipment.....	8,710,452	664,408	-	9,374,860
Infrastructure.....	49,082,991	1,558,562	-	50,641,553
<b>Total capital assets being depreciated.....</b>	<b>130,209,580</b>	<b>2,222,970</b>	<b>-</b>	<b>132,432,550</b>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(28,358,680)	(1,223,783)	-	(29,582,463)
Land improvements.....	(1,160,442)	(215,712)	-	(1,376,154)
Machinery and equipment.....	(6,583,393)	(536,357)	-	(7,119,750)
Infrastructure.....	(20,145,865)	(1,167,618)	-	(21,313,483)
<b>Total accumulated depreciation.....</b>	<b>(56,248,380)</b>	<b>(3,143,470)</b>	<b>-</b>	<b>(59,391,850)</b>
<b>Total capital assets being depreciated, net.....</b>	<b>73,961,200</b>	<b>(920,500)</b>	<b>-</b>	<b>73,040,700</b>
<b>Total governmental activities capital assets, net.....</b>	<b>\$ 78,463,089</b>	<b>\$ (920,500)</b>	<b>\$ -</b>	<b>\$ 77,542,589</b>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,842,708	\$ -	\$ -	\$ 4,842,708
Construction in progress.....	6,382,699	4,079,223	(5,389,064)	5,072,858
Total capital assets not being depreciated.....	<u>11,225,407</u>	<u>4,079,223</u>	<u>(5,389,064)</u>	<u>9,915,566</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	29,998,148	-	-	29,998,148
Machinery and equipment.....	14,179,719	-	-	14,179,719
Infrastructure.....	43,356,687	6,651,427	-	50,008,114
Total capital assets being depreciated.....	<u>87,534,554</u>	<u>6,651,427</u>	<u>-</u>	<u>94,185,981</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(4,237,139)	(599,639)	-	(4,836,778)
Machinery and equipment.....	(9,585,835)	(425,701)	-	(10,011,536)
Infrastructure.....	(16,251,828)	(1,269,639)	-	(17,521,467)
Total accumulated depreciation.....	<u>(30,074,802)</u>	<u>(2,294,979)</u>	<u>-</u>	<u>(32,369,781)</u>
Total capital assets being depreciated, net.....	<u>57,459,752</u>	<u>4,356,448</u>	<u>-</u>	<u>61,816,200</u>
Total business-type activities capital assets, net.....	<u>\$ 68,685,159</u>	<u>\$ 8,435,671</u>	<u>\$ (5,389,064)</u>	<u>\$ 71,731,766</u>

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

**Governmental Activities:**

General government.....	\$ 142,274
Public safety.....	199,519
Education.....	1,349,534
Public works.....	1,296,213
Human services.....	55,904
Culture and recreation.....	97,579
Community preservation.....	<u>2,447</u>
Total depreciation expense - governmental activities.....	<u>\$ 3,143,470</u>

**Business-Type Activities:**

Water Pollution Control Facility.....	<u>\$ 2,294,979</u>
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**NOTE 5 – INTERFUND RECEIVABLES AND TRANSFERS**

There were no interfund receivables as of June 30, 2011.

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

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 130,000	\$ 130,000 (1)
Nonmajor Governmental Funds.....	191,490	-	191,490 (2)
Water Pollution Control Facility.....	462,225	-	462,225 (3)
	<u>\$ 653,715</u>	<u>\$ 130,000</u>	<u>\$ 783,715</u>

(1) Represents a budgeted transfer from the general fund to the capital projects fund for the purchase of a chipper.

(2) Represents transfers from various special revenue and capital project funds to the general fund including: waterways, parking meters, harbormaster, cemetery perpetual care and wetlands.

(3) Represents a transfer from the Water Pollution Control Facility to the General Fund for indirect costs.

**NOTE 6 – SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds.

The Town had the following short-term financing activity during fiscal year:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2010	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2011
<b>Governmental Funds:</b>							
BAN	Various Municipal Projects.....	0.70%	07/15/11	\$ -	\$ 1,250,000	\$ -	\$ 1,250,000
BAN	MWPAT T5-97-1019-E.....	0.00%	04/15/12	-	37,752	-	37,752
BAN	Architectural & Structural Survey.....	1.50%	07/08/10	50,000	-	50,000	-
	Sub-total governmental notes.....			50,000	1,287,752	50,000	1,287,752
<b>Enterprise Funds:</b>							
BAN	Sewer.....	1.10%	01/13/11	1,000,000	-	1,000,000	-
BAN	Sewer.....	1.05%	07/15/11	-	982,000	-	982,000
BAN	MWPAT CWS-07-37A.....	0.33%	04/15/12	-	1,584,018	-	1,584,018
	Sub-total enterprise notes.....			1,000,000	2,566,018	1,000,000	2,566,018
	Total notes payable.....			\$ 1,050,000	\$ 3,853,770	\$ 1,050,000	\$ 3,853,770

On July 15, 2011 the Town paid down \$33,000 of the Enterprise BAN and rolled over the remaining \$949,000 and the Governmental BAN of \$1,250,000 into two BANS. One was for \$1,000,000 with an interest rate of .7% due January 19, 2012, and another for \$1,149,000 with an interest rate of 1% also due January 19, 2012.

**NOTE 7 – CAPITAL LEASE OBLIGATIONS**

In Fiscal 2010, the Town entered into a non-cancelable long-term capital lease for the purchase of eight police cruisers. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. Assets acquired through capital lease are as follows:

<u>Asset:</u>	<u>Governmental Activities</u>
Vehicles.....	\$ 335,755
Less: accumulated depreciation.....	<u>(100,727)</u>
Total.....	<u>\$ 235,028</u>

The following is a schedule of the future minimum lease payments under the capital lease, together with the present value of the net minimum lease payments, as of June 30, 2011:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>
2012.....	\$ 99,187
2013.....	<u>99,187</u>
Total minimum lease payments.....	198,374
Less: amounts representing interest.....	<u>(12,630)</u>
Present value of minimum lease payments.....	<u>\$ 185,744</u>

**NOTE 8 - LONG-TERM DEBT**

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2011, and the debt service requirements follow.

**Bonds and Notes Payable Schedule – Governmental Funds**

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2010</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2011</u>
Surface Drain.....	4.7%	\$ 10,000	\$ -	\$ 5,000	\$ 5,000
Building Remodeling.....	4.7%	19,000	-	4,000	15,000
Building Remodeling.....	4.7%	20,000	-	4,000	16,000
Building Remodeling - Senior Citizen.....	4.8%	157,000	-	23,000	134,000
Building Remodeling - School.....	4.8%	133,000	-	19,000	114,000
Building Remodeling - School.....	4.8%	182,000	-	26,000	156,000
Building Remodeling - School.....	4.7%	56,000	-	14,000	42,000
MWPAT Title V 97-1019.....	4.4%	97,828	-	10,872	86,956
MWPAT Title V 97-1019 - 1.....	4.4%	115,261	-	10,602	104,659
Building Remodeling - EMS.....	4.2%	260,000	-	30,000	230,000
Dredging - River.....	3.4%	10,000	-	10,000	-
Dredging - River 2.....	3.4%	5,000	-	5,000	-
Open Space.....	4.1%	90,000	-	10,000	80,000
School Bus Garage.....	4.1%	70,000	-	10,000	60,000
Storm Drains.....	3.6%	10,000	-	5,000	5,000
Town Hall Repairs.....	4.3%	165,000	-	15,000	150,000
School Roof.....	4.3%	110,000	-	10,000	100,000
Multi-purpose.....	3.8%	2,105,000	-	295,000	1,810,000
MWPAT Title V 97-1019 - 2.....	4.6%	137,625	-	9,525	128,100
Building Renovation - Middle School.....	3.6%	300,000	-	300,000	-
Building Remodeling.....	3.6%	55,000	-	15,000	40,000
Building Remodeling II.....	3.6%	75,000	-	15,000	60,000
MWPAT Title V 97-1019 - 3C.....	0.0%	180,000	-	10,000	170,000
State House Notes.....	6.5%	48,000	-	16,000	32,000
MWPAT Title V T5-97-1019-D.....	0.0%	200,000	-	-	200,000
Total.....		<u>\$ 4,610,714</u>	<u>\$ -</u>	<u>\$ 871,999</u>	<u>\$ 3,738,715</u>

Debt service requirements for principal and interest for Governmental bonds payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....	\$ 552,525	\$ 140,724	\$ 693,249
2013.....	536,089	128,470	664,559
2014.....	451,276	97,235	548,511
2015.....	431,272	79,269	510,541
2016.....	287,747	56,095	343,842
2017.....	287,747	50,416	338,163
2018.....	216,747	40,150	256,897
2019.....	216,747	31,542	248,289
2020.....	196,913	23,145	220,058
2021.....	166,912	16,629	183,541
2022.....	130,526	10,604	141,130
2023.....	130,526	5,285	135,811
2024.....	25,526	375	25,901
2025.....	25,527	125	25,652
2026.....	20,527	-	20,527
2027.....	20,527	-	20,527
2028.....	20,527	-	20,527
2029.....	10,527	-	10,527
2030.....	10,527	-	10,527
Total.....	\$ <u>3,738,715</u>	\$ <u>680,064</u>	\$ <u>4,418,779</u>

### Bonds and Notes Payable Schedule – Enterprise Funds

<u>Project</u>	<u>Rate</u> <u>(%)</u>	<u>at June 30,</u> <u>2010</u>	<u>Issued</u>	<u>Redeemed</u>	<u>at June 30,</u> <u>2011</u>
Sewer Riverside.....	4.3%	\$ 100,000	\$ -	\$ 10,000	\$ 90,000
Sewer Sunset Island.....	4.3%	145,000	-	15,000	130,000
Sewer Thatcher.....	4.4%	740,000	-	60,000	680,000
Engineering- Water Pollution.....	4.4%	800,000	-	70,000	730,000
Sewer Design & Construction.....	4.8%	833,000	-	105,000	728,000
Sewer Design & Construction.....	6.0%	156,061	-	15,606	140,455
Sewer Design & Construction.....	6.0%	28,030	-	28,030	-
Sewer Design & Construction.....	5.9%	19,000	-	9,500	9,500
Sewer Planning.....	0.0%	1,766,868	-	483,927	1,282,941
Sewer Weweatic.....	5.4%	726,532	-	94,952	631,580
Sewer Pump Station.....	5.4%	697,344	-	91,138	606,206
Sewer Pump Station.....	5.0%	6,793,750	-	432,967	6,360,783
Sewer Planning.....	5.0%	9,323,230	-	531,593	8,791,637
MWPAT Construction 91-18-A.....	3.9%	425,000	-	35,000	390,000
MWPAT Construction 96-15.....	3.9%	2,625,000	-	170,000	2,455,000
MWPAT Construction 91-18.....	3.8%	640,000	-	40,000	600,000
MWPAT Construction CW-01-41.....	3.6%	365,000	-	45,000	320,000
MWPAT Construction CW-02-49.....	3.6%	125,000	-	125,000	-
MWPAT Construction CW-02-49A.....	0.0%	650,379	-	38,257	612,122
MWPAT Construction CW-05-10.....	2.0%	4,746,224	-	236,771	4,509,453
MWPAT Construction CWS-07-37.....	2.0%	6,567,049	-	-	6,567,049
Total.....		\$ <u>38,272,467</u>	\$ <u>-</u>	\$ <u>2,637,741</u>	\$ <u>35,634,726</u>

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....	\$ 2,873,501	\$ 1,242,833	\$ 4,116,334
2013.....	2,903,362	1,145,661	4,049,023
2014.....	2,700,906	1,009,479	3,710,385
2015.....	2,477,790	900,922	3,378,712
2016.....	2,454,180	794,267	3,248,447
2017.....	2,501,990	682,048	3,184,038
2018.....	2,317,342	581,812	2,899,154
2019.....	2,263,988	508,928	2,772,916
2020.....	2,310,871	399,815	2,710,686
2021.....	2,352,385	317,345	2,669,730
2022.....	2,399,751	233,668	2,633,419
2023.....	2,312,367	135,120	2,447,487
2024.....	1,690,238	97,725	1,787,963
2025.....	901,368	76,595	977,963
2026.....	914,766	55,199	969,965
2027.....	728,432	37,530	765,962
2028.....	371,463	26,915	398,378
2029.....	378,968	19,411	398,379
2030.....	386,624	11,755	398,379
2031.....	<u>394,434</u>	<u>3,944</u>	<u>398,378</u>
Total.....	\$ <u>35,634,726</u>	\$ <u>8,280,972</u>	\$ <u>43,915,698</u>

The Enterprise Fund is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$5,296,000 and interest costs for \$3,787,000. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$26,938,000. The principal subsidies are guaranteed and therefore a \$5,296,000 intergovernmental receivable has been reported in the sewer enterprise fund financial statements. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2011 principal and interest subsidies totaled \$599,000 and \$631,000 respectively.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit.

At June 30, 2011, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Water Pollution Control CWS-07-37.....	\$ 7,273,000
MWPAT Title V.....	<u>200,000</u>
Total.....	\$ <u>7,473,000</u>

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2011, the following changes occurred in long-term liabilities:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Current Portion
<b>Governmental Activities:</b>					
Long-Term Bonds.....	\$ 4,610,714	\$ -	\$ (871,999)	\$ 3,738,715	\$ 552,525
Other Postemployment Benefits.....	8,707,000	7,321,000	(3,091,000)	12,937,000	-
Compensated Absences.....	1,537,000	848,000	(760,000)	1,625,000	794,000
Capital Leases.....	280,755	-	(95,011)	185,744	90,828
Total.....	<u>\$ 15,135,469</u>	<u>\$ 8,169,000</u>	<u>\$ (4,818,010)</u>	<u>\$ 18,486,459</u>	<u>\$ 1,437,353</u>
<b>Business-Type Activities:</b>					
Long-Term Bonds.....	\$ 38,272,467	\$ -	\$ (2,637,741)	\$ 35,634,726	\$ 2,873,501
Other Postemployment Benefits.....	206,000	159,000	(70,000)	295,000	-
Compensated Absences.....	88,000	40,000	(44,000)	84,000	49,000
Total.....	<u>\$ 38,566,467</u>	<u>\$ 199,000</u>	<u>\$ (2,751,741)</u>	<u>\$ 36,013,726</u>	<u>\$ 2,922,501</u>

The long-term liabilities will be liquidated in the future by the general fund and enterprise funds.

**NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town has adopted GASB 54 as part of its fiscal year 2011 reporting. Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

At year end the balance of the General Stabilization Fund is \$268,096 and is reported as unassigned fund balance within the General Fund.

In fiscal year 2011, the Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with Statement No. 54, the Stabilization Fund has been reported in the General Fund, and accordingly, the General Fund and non-major funds beginning balances have been revised and total \$2,448,784 and \$5,206,284 from \$2,280,985 and \$5,374,083, respectively.

GASB 54 provides for two major types of fund balances, which are Nonspendable and Spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as Nonspendable.

In addition to the Nonspendable fund balance, GASB 54 has provided a hierarchy of Spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose

The Town has classified its fund balances with the following hierarchy:

	GOVERNMENTAL FUNDS		
	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>			
Nonspendable:			
Permanent fund principal..... \$	-	\$ 343,041	\$ 343,041
Restricted for:			
Revolving funds.....	-	1,724,948	1,724,948
Private/local gift and grant funds.....	-	492,916	492,916
School lunch.....	-	171,738	171,738
Town grant funds.....	-	472,519	472,519
School grant funds.....	-	614,525	614,525
Roadway improvement funds.....	-	2,837	2,837
Community preservation fund.....	-	2,131,767	2,131,767
Ambulance fund.....	-	387,465	387,465
Town capital projects.....	-	136,450	136,450
School capital projects.....	-	3,781	3,781
Other permanent funds.....	-	316,198	316,198
Human services.....	420	-	420
Unassigned.....	1,122,613	(557,517)	565,096
<b>TOTAL FUND BALANCES (DEFICIT)..... \$</b>	<b>1,123,033</b>	<b>\$ 6,240,668</b>	<b>\$ 7,363,701</b>

**NOTE 10 – RISK FINANCING**

The Town is self-insured for its health insurance activities. The health and dental insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends, and other economic and social factors.

*Health Insurance*

The Town estimates its Incurred But Not Reported (IBNR) claims based on an approximate one and a half months average health claims and one month average dental claims. The Town purchases individual stop loss insurance for claims in excess coverage provided by the Town in the amount of \$100,000. At June 30, 2011, the amount of the liability for health and dental insurance claims totaled \$551,608. This liability is the best estimate based on available information.

Changes in the reported liability since July 1, 2009, are as follows:

	Balance at Beginning of Fiscal Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at Fiscal Year-End
Fiscal Year 2011.....	\$ 944,826	\$	7,561,507	\$	(7,954,725)	\$	551,608
Fiscal Year 2010.....	862,000	\$	7,483,489	\$	(7,400,663)		944,826

*General Liability and Property Insurance*

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 for which the Town carries commercial insurance.

*Workers' Compensation*

The Town participates in a premium based workers' compensation insurance plan for its employees, including police officers and firefighters. All public safety claims are subject to a maximum allowable insurance benefit which varies by contract, the Town is responsible for any excess public safety claims. As of June 30, 2011, this amount was immaterial and therefore not recorded.

**NOTE 11 - PENSION PLAN**

*Plan Description* - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth.

The amount of these on-behalf payments totaled \$5,986,000 for the fiscal year ended June 30, 2011, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures/expenses.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Plymouth Contributory 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 Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 10 Cordage Park, Suite 240, Plymouth, Massachusetts 02360.

*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 32 of the MGL governs the contributions of plan members and the Town. The Town contributions to the System for the fiscal years ended June 30, 2011, 2010, and 2009 were \$2,530,839, \$2,292,006, and \$2,220,143, respectively, which equaled its required contribution for each fiscal year.

#### **NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The Town of Wareham administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town's group health and life insurance plans, which cover both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy* – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 75 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25 percent of their premium costs. For fiscal year 2011, the Town contributed \$3.2 million to the plan.

*Annual OPEB Cost and Net OPEB Obligation* – The Town's annual 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 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$ 7,620,000
Interest on UAAL.....	356,000
Adjustments to annual required contribution.....	<u>(496,000)</u>
Annual OPEB cost (expense).....	7,480,000
Contributions made.....	<u>(3,161,000)</u>
Increase/(Decrease) in net OPEB obligation.....	4,319,000
Net OPEB obligation - beginning of year.....	<u>8,913,000</u>
Net OPEB obligation - end of year.....	<u>\$ 13,232,000</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of the ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 7,480,000	42%	\$ 13,232,000
6/30/2010	7,223,000	43%	8,913,000
6/30/2009	7,619,000	38%	4,761,000

*Funded Status and Funding Progress* – As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$87.9 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$33.2 million, and the ratio of the UAAL to the covered payroll was 265%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions 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 multiyear 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 the 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 the 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.

In the July 1, 2010, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 8% initially, graded to 5% over 4 years. The UAAL is being amortized using level dollar method over the maximum acceptable period of 30 years. The remaining amortization period at June 30, 2011 is 27 years.

**NOTE 13 - COMMITMENTS**

The Town has entered into, or is planning to enter into contracts totaling approximately \$7.5 million for infrastructure upgrades and various sewer projects.

**NOTE 14 - CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2011, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

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

**NOTE 15 – FUTURE IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2011, the following GASB pronouncements were implemented:

- GASB Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented in fiscal year 2011. Financial statements changes include new fund balance designations and the reclassification of stabilization funds from the special revenue fund to the general fund. Notes to the basic financial statements were changed to provide additional disclosure on the new designations of fund balance.
- GASB Statement #59, *Financial Statements Omnibus*, which is required to be implemented in fiscal year 2011. This pronouncement did not effect the basic financial statements.

***Future GASB Pronouncements:***

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. Management expects that the implementation of this pronouncement will have an impact on the basic financial statements.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.
- The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will have a significant impact on the basic financial statements.
- The GASB issued Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*, which is required to be implemented in fiscal year 2012. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.

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***Required Supplementary Information***

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**GENERAL FUND**  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		
	Amounts Carried forward From Prior Year	Original Budget	Final Budget
<b>REVENUES:</b>			
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 30,491,993	\$ 29,597,333
Tax liens.....	-	-	-
Motor vehicle and other excise taxes.....	-	2,107,000	2,107,000
Charges for services.....	-	965,000	965,000
Penalties and interest on taxes.....	-	390,000	390,000
Licenses and permits.....	-	920,000	920,000
Fines and forfeitures.....	-	84,000	84,000
Intergovernmental.....	-	14,422,845	14,422,845
Departmental and other.....	-	10,000	10,000
Investment income.....	-	75,000	75,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>49,465,838</b>	<b>48,571,178</b>
<b>EXPENDITURES:</b>			
Current:			
General government.....	54,518	3,252,739	3,307,725
Public safety.....	-	4,597,206	4,759,732
Education.....	-	28,661,534	28,253,874
Public works.....	-	1,473,723	1,528,731
Human services.....	-	552,713	632,611
Culture and recreation.....	-	418,475	418,539
Pension benefits.....	-	2,530,839	2,558,494
Employee benefits.....	-	6,408,000	6,439,913
State and county charges.....	-	2,151,402	2,151,402
Debt service:			
Principal.....	-	825,325	825,325
Interest.....	-	153,262	153,262
<b>TOTAL EXPENDITURES.....</b>	<b>54,518</b>	<b>51,025,218</b>	<b>51,029,608</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(54,518)</b>	<b>(1,559,380)</b>	<b>(2,458,430)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in.....	-	550,825	653,715
Transfers out.....	-	(100,000)	(230,000)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>450,825</b>	<b>423,715</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(54,518)</b>	<b>(1,108,555)</b>	<b>(2,034,715)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>-</b>	<b>2,280,985</b>	<b>2,280,985</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$(54,518)</b>	<b>\$ 1,172,430</b>	<b>\$ 246,270</b>

See notes to basic financial statements.

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<u>Actual Budgetary Amounts</u>	<u>Amounts Carried Forward To Next Year</u>	<u>Variance To Final Budget</u>
\$ 29,750,026	\$ -	\$ 152,693
448,387	-	448,387
2,124,801	-	17,801
830,641	-	(134,359)
257,530	-	(132,470)
774,340	-	(145,660)
111,183	-	27,183
14,587,755	-	164,910
30,558	-	20,558
41,211	-	(33,789)
<u>48,956,432</u>	<u>-</u>	<u>385,254</u>
2,759,583		548,142
4,847,401	-	(87,669)
28,248,035	-	5,839
2,029,130	-	(500,399)
593,225	420	38,966
401,700	-	16,839
2,561,418	-	(2,924)
6,330,728	-	109,185
2,127,324	-	24,078
796,999	-	28,326
134,714	-	18,548
<u>50,830,257</u>	<u>420</u>	<u>198,931</u>
<u>(1,873,825)</u>	<u>(420)</u>	<u>584,185</u>
653,715	-	-
<u>(230,000)</u>	<u>-</u>	<u>-</u>
<u>423,715</u>	<u>-</u>	<u>-</u>
(1,450,110)	(420)	584,185
<u>2,280,985</u>	<u>-</u>	<u>-</u>
<u>\$ 830,875</u>	<u>\$ (420)</u>	<u>\$ 584,185</u>

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## ***Retirement System Schedules of Funding Progress and Employer Contributions***

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of planned assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions.

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## Plymouth County Contributory Retirement System Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/10	\$ 673,709,456	\$ 1,132,847,379	\$ 459,137,923	59.5%	\$ 227,507,647	201.8%
01/01/08	683,819,938	1,056,020,215	372,200,277	64.8%	252,682,832	147.3%
01/01/07	606,629,089	987,840,418	381,211,329	61.4%	244,574,136	155.9%
01/01/06	558,533,863	918,851,707	360,317,844	60.8%	226,262,731	159.2%
01/01/04	520,104,805	802,158,453	282,053,648	64.8%	208,312,002	135.4%
01/01/02	466,325,660	733,198,204	266,872,544	63.6%	205,039,686	130.2%
01/01/00	450,210,619	611,204,058	160,993,439	73.7%	178,010,731	90.4%
01/01/98	316,253,566	492,303,777	176,050,211	64.2%	148,264,981	118.7%

The Town of Wareham's share of the UAAL, as of January 1, 2010, is approximately 6%.

# DRAFT

## Plymouth County Contributory Retirement System Schedule of Employer Contributions

Fiscal Year Ended June 30	System Wide			Town of Wareham, Massachusetts	
	Annual Required Contributions	Actual Contributions	Percentage Contributed	Actual Contributions	Town Contributions as a Percentage of Actual Contributions
2005	\$ 25,695,625	\$ 25,695,625	100%	\$ 1,438,355	5.60%
2006	30,795,767	30,795,767	100%	1,838,199	5.97%
2007	34,085,524	34,085,524	100%	2,016,728	5.92%
2008	38,854,868	38,854,868	100%	2,142,811	5.51%
2009	41,286,384	41,286,384	100%	2,220,143	5.38%
2010	42,708,712	42,708,712	100%	2,292,006	5.37%
2011	45,039,921	45,039,921	100%	2,530,839	5.62%

The Town's actual contributions equaled 100% of its required contributions of each year presented.

**DRAFT**

## ***Other Postemployment Benefits Plan Schedules***

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions compares, overtime, the annual required contributions to the actual contributions made.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

# DRAFT

## OTHER POSTEMPLOYMENT BENEFIT PLAN SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2011

### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll (B-A)/C
7/1/2010	\$ -	\$ 87,952,833	\$ 87,952,833	0.00%	\$ 33,188,784	265.0%
7/1/2008	-	83,050,934	83,050,934	0.00%	N/A	N/A

### Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2011	\$ 7,620,000	\$ 3,161,000	41%
2010	7,297,000	3,071,000	42%
2009	7,619,000	2,858,000	38%

N/A=Not Available

See notes to required supplementary information.

# DRAFT

## OTHER POSTEMPLOYMENT BENEFIT PLAN ACTUARIAL METHODS AND ASSUMPTIONS

FISCAL YEAR ENDED JUNE 30, 2011

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### Actuarial Methods:

Valuation date	July 1, 2010
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar amount over a 30 year period at transition
Remaining amortization period	27 Years as of June 30, 2011

### Actuarial Assumptions:

Investment rate of return	4.00%
Medical/drug cost trend rate	8% graded to 5% over 4 years

### Plan Membership:

Current retirees, beneficiaries, and dependents	277
Current active members	<u>639</u>
Total	<u><u>916</u></u>

See notes to required supplementary information.

**DRAFT****NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY****A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by the Board of Selectmen (the "Board"). The Board presents an annual budget to the representative Town meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The representative town meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between voted functions subsequent to the approval of the annual budget, requires a vote at a special Town meeting.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Town meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2011 approved budget and amounts carried forward from prior year authorized approximately \$51.1 million in appropriations and other amounts to be raised. During fiscal year 2011, the Town meeting approved subsequent increases in appropriations totaling approximately \$134 thousand.

The Town Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

**B. Budgetary - GAAP Reconciliation**

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2011, is presented below:

Net change in fund balance - budgetary basis.....	\$ (1,450,110)
<u>Perspective difference:</u>	
Stabilization fund recorded in the General Fund for GAAP.....	100,297
<u>Basis of accounting differences:</u>	
Net difference in recognition of revenues.....	(124,000)
Net change in recording 60-day receipts accrual.....	148,062
Recognition of revenue for on-behalf payments.....	5,986,000
Recognition of expenditures for on-behalf payments.....	<u>(5,986,000)</u>
Net change in fund balance - GAAP basis.....	<u>\$ (1,325,751)</u>

**C. Appropriation Deficits**

During fiscal year 2011, expenditures exceeded budgeted appropriations for public safety, public works, and pension benefits. These deficits will be funded in future fiscal years through tax levy and other available funds.

**NOTE B – PENSION PLAN**

The Town contributes to the Plymouth County Contributory Retirement System ("Retirement System"), a cost-sharing, multiple-employer defined benefit pension plan ("Plan") administered by the Plymouth County Retirement Board. The Retirement System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Retirement System its share of the system-wide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2010
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.5% per year
Remaining Amortization Period.....	19 years remaining as of January 1, 2010
Asset Valuation Method.....	Assets held by the fund are valued at market value as reported by the Public Employees' Retirement Administration Commission (PERAC). The actuarial value is based on a 5 year smoothing of realized and unrealized investment earnings greater than or less than the expected return. The result must be within 20% of market value.

Actuarial Assumptions:

Investment rate of return.....	8.25%
Projected salary increases.....	4.00%
Cost of living adjustments.....	3.00% for the first \$12,000 of retirement income

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	3,042
Inactive participants.....	2,052
Disabled participants.....	347
Active participants.....	<u>5,987</u>
Total.....	<u><u>11,428</u></u>

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare plan (“The Retiree Health Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Town’s group health and life insurance plans, which cover both active and retired members.

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress and Employer Contributions presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the 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 Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.