

TOWN OF WAREHAM, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2013

TOWN OF WAREHAM, MASSACHUSETTS

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JUNE 30, 2013

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Wareham, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014 on our consideration of the Town of Wareham's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wareham's internal control over financial reporting and compliance.

Powers + Sullivan, LLC

April 2, 2014

Management's Discussion and Analysis

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, 2013. 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 2013 by \$130.1 million (net position).
- At the end of fiscal 2013, unassigned fund balance for the general fund was \$1.5 million or 2.4% of total general fund expenditures.
- The general fund operations resulted in an \$829 thousand decrease in fund balance.
- Wareham's long-term debt decreased by \$3.4 million during the year. This is directly attributable to the net effect of \$200 thousand of governmental debt issued in the current year, offset by \$3.6 million in total principal pay downs. See Note 8 for more information.
- The Town's other postemployment benefit liability increased by \$5.2 million during FY2013 to a balance of \$22.5 million.
- At fiscal year end, the Town's internal service fund balance was \$1.2 million after taking into consideration additional employer contributions of \$1.3 million to help balance the employer/employee portions of fund balance offset by \$808 thousand of "Incurred But not Reported" liabilities.

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

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will 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.

The Town implemented GASB #54, *Fund Balance Reporting and Governmental Fund Type Definitions* as part of their fiscal year 2011 reporting. 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.

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 position may serve over time as a useful indicator of a government's financial position. As noted below, assets exceeded liabilities by approximately \$64.5 million at the close of fiscal year 2013.

	FY2013 Governmental Activities	FY2012 Governmental Activities
Assets:		
Current assets.....	\$ 17,790,696	\$ 17,776,325
Noncurrent assets (excluding capital).....	2,101,034	2,265,583
Capital assets.....	75,988,026	77,216,943
Total assets.....	<u>95,879,756</u>	<u>97,258,851</u>
Liabilities:		
Current liabilities (excluding debt).....	3,942,930	4,578,268
Noncurrent liabilities (excluding debt).....	23,010,255	17,795,000
Current debt.....	1,116,276	701,315
Noncurrent debt.....	3,343,825	3,900,101
Total liabilities.....	<u>31,413,286</u>	<u>26,974,684</u>
Net position:		
Net investment in capital assets.....	72,589,224	73,361,307
Restricted.....	5,488,177	4,502,466
Unrestricted.....	(13,610,931)	(7,579,606)
Total net position.....	<u>\$ 64,466,470</u>	<u>\$ 70,284,167</u>

A significant portion of the Town's governmental net position, \$72.6 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 position, \$5.5 million, represents resources that are subject to external restrictions on how they may be used. The Town has \$8.4 million of unrestricted net position without considering the recorded liability related to other postemployment benefits of \$22.0 million. The OPEB liability is long-term in nature, and will not be funded from the \$8.4 million of unrestricted net position at June 30, 2013.

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

The governmental activities net position decreased by \$5.8 million during the current fiscal year. This was primarily due to the Other Postemployment Benefit liability increasing by \$5.1 million, the fact that depreciation exceeded principal payments on bonds by \$2.7 million, and a deficit in the general fund of \$829 thousand. These decreases were offset by the receipt of \$1.4 million of capital grants, a \$535 thousand surplus in the internal service fund, and the timing between the expenditure and reimbursement of federal and state grants. Key elements of change in net position are as follows:

	FY2013 Governmental Activities	FY2012 Governmental Activities
Program revenues:		
Charges for services.....	\$ 4,411,371	\$ 4,186,248
Operating grants and contributions.....	24,181,184	24,047,330
Capital grants and contributions.....	1,436,826	989,776
General Revenues:		
Real estate and personal property taxes.....	31,844,811	30,645,102
Tax liens.....	666,376	577,478
Motor vehicle and other excise taxes.....	2,842,908	2,511,670
Penalties and interest on taxes.....	291,113	367,974
Community preservation surtax.....	595,273	581,557
Grants and contributions not restricted to specific programs.....	3,075,151	3,067,333
Unrestricted investment income.....	29,010	21,916
Miscellaneous.....	80,486	143,336
Total revenues.....	<u>69,454,509</u>	<u>67,139,720</u>
Expenses:		
General government.....	6,829,647	8,048,251
Public safety.....	9,304,942	9,896,937
Education.....	52,930,297	50,741,799
Public works.....	4,580,377	3,768,146
Human services.....	1,092,255	1,115,339
Community preservation.....	25,968	134,085
Culture and recreation.....	907,634	942,848
Interest.....	114,086	154,355
Total expenses.....	<u>75,785,206</u>	<u>74,801,760</u>
Excess (Deficiency) before transfers.....	(6,330,697)	(7,662,040)
Transfers.....	513,000	466,019
Change in net position.....	\$ (5,817,697)	\$ (7,196,021)

The governmental expenses totaled \$75.8 million of which \$30.0 million (40%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$39.4 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 \$65.6 million as the close of fiscal year 2013. The following table identifies key elements of the enterprise operations:

	FY2013 Business-type Activities	FY2012 Business-type Activities
Assets:		
Current assets.....	\$ 13,172,796	\$ 11,473,586
Noncurrent assets (excluding capital)....	20,569,489	17,564,157
Capital assets.....	<u>68,107,881</u>	<u>70,494,567</u>
Total assets.....	101,850,166	99,532,310
Liabilities:		
Current liabilities (excluding debt).....	658,946	643,220
Noncurrent liabilities (excluding debt)....	524,472	419,000
Current debt.....	3,024,742	3,045,362
Noncurrent debt.....	<u>32,026,392</u>	<u>35,051,134</u>
Total liabilities.....	36,234,552	39,158,716
Net position:		
Net investment in capital assets.....	43,445,963	41,878,626
Unrestricted.....	<u>22,169,651</u>	<u>18,494,968</u>
Total net position.....	\$ 65,615,614	\$ 60,373,594
Program revenues:		
Charges for services.....	\$ 6,196,201	\$ 6,446,187
Capital grants and contributions.....	6,115,134	681,552
General Revenues:		
Unrestricted investment income.....	<u>14,454</u>	<u>14,454</u>
Total revenues.....	12,325,789	7,142,193
Expenses:		
Water Pollution Control Facility.....	<u>6,570,769</u>	<u>6,044,609</u>
Excess (Deficiency) before transfers.....	5,755,020	1,097,584
Transfers.....	(513,000)	(466,019)
Change in net position.....	\$ 5,242,020	\$ 631,565

Business-type net position of \$43.4 million (66%) represents the investment in capital assets, while \$22.2 million (34%) is unrestricted. The Town's business-type activity net position increased by \$5.2 million in the current fiscal year, this is primarily due to the recognition of \$5.6 million of betterment revenue, principal payments on bonds exceeded depreciation by \$515 thousand offset by a \$513 thousand transfer to the general fund for indirect costs associated with the operations of the Water Pollution Control Facility.

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 \$8.0 million, of which \$2.0 million relates to the general fund and \$6.0 million relates to the nonmajor funds. Cumulatively there was a decrease of \$548 thousand in fund balances from the prior year that is due to the net of a decrease of \$829 thousand in the general fund and an increase of \$281 thousand 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 \$1.5 million, while total fund balance was \$2.0 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 2.4% of total general fund expenditures, while total fund balance represents 3.3% of that same amount. During fiscal year 2013, the fund balance of the general fund decreased by \$829 thousand. This decrease was primarily due to the general fund budgetary deficit of \$870 thousand.

The internal service fund ending net position was \$1.2 million. This is an increase of \$535 thousand over the prior year. The increase was primarily due to an increase in the Town's contributions which included an additional transfer of \$1.3 million which represented the Town's certified free cash balance, used to help balance the employee/employer portions of fund balance, offset by an overall increase in claims expense.

General Fund Budgetary Highlights

During the year there was an increase of \$1.4 million in appropriations between the original and final amended budget. This was the net result of various appropriation increases and decreases at the April Special Town Meeting, with the largest being a \$1.3 million increase in employee benefits representing the Town's certified free cash balance used to help alleviate the disproportionate employee/employer split in the internal service fund.

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, 2013 amounts to \$144,095,907 (net of depreciation). This investment in capital assets includes land, buildings, improvements to land and buildings, machinery and equipment, and infrastructure.

The total decrease in the Town of Wareham's investment in capital assets for the current year was \$3,615,603 which consisted of a decrease of \$1,228,917 for governmental activities and a decrease of \$2,386,686 in the business-type activities. The decrease in governmental assets and business-type activities is due to current year depreciation exceeding current year additions.

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

ASSETS	Governmental activities		Business-type activities	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land.....	\$ 5,150,014	\$ 5,150,014	\$ 4,842,708	\$ 4,842,708
Buildings.....	36,361,550	37,268,953	23,962,092	24,561,731
Land Improvements.....	2,538,156	2,746,625	-	-
Machinery and equipment.....	980,004	1,042,019	3,324,960	3,745,208
Vehicles.....	784,781	1,044,069	36,077	46,384
Infrastructure.....	30,173,521	29,965,263	35,942,044	37,298,536
Total assets	\$ 75,988,026	\$ 77,216,943	\$ 68,107,881	\$ 70,494,567

Debt Administration

At the end of the current fiscal year, the Town of Wareham had total debt outstanding of \$39,511,235. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the government. Of this amount \$360,000 is in short term notes, and the remaining \$39,151,235 is in outstanding long-term bonds. During fiscal 2013, the Town issued \$200,000 and retired \$3,581,451 of long-term debt.

The Town has authorized but unissued debt of \$9,106,000.

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 2014 budget were:

- Significant increases in employee benefits partially mitigated by the change in splits from 75/25 to 70/30 in FY14 which shifts part of the cost increase from the Town to Employees,
- Funding healthcare costs at recommended level but do not have enough money appropriated to fix the split issue from previous fiscal years,
- Level funded State Aid with a potential for reductions and continued increase in State assessments especially tuition assessments,
- No longer using non-recurring revenue to balance the budget.

The FY 2014 budget represented a balance of fiscal prudence while continuing to deliver necessary services to the citizens of Wareham. However, this budget continues to reduce services that the residents receive and continues with unsustainable cuts to departments.

The Selectmen adopted the recommendation of the Town Administrator that at least half of Free Cash should be transferred to the Stabilization Fund as the Town can no longer fund it through the operating budget.

For FY 2014, the Water Pollution Control EDU (Equalized Dwelling Unit) rates remained at \$596. The Sewer Commissioners have requested a usage study be done to see if the EDU is the most appropriate methodology. The Town Administrator requested that the Department of Revenue conduct a review of the WPCF funding and operations. Both items should be completed in 2014.

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

STATEMENT OF NET POSITION

JUNE 30, 2013

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 11,726,852	\$ 9,684,766	\$ 21,411,618
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	662,530	-	662,530
Tax liens.....	2,104,809	312,825	2,417,634
Motor vehicle excise taxes.....	770,864	-	770,864
User fees.....	-	1,163,721	1,163,721
Loans.....	40,379	-	40,379
Departmental and other.....	541,809	-	541,809
Special assessments.....	40,000	791,595	831,595
Intergovernmental.....	1,024,798	1,219,889	2,244,687
Tax foreclosures.....	663,136	-	663,136
Working capital deposit.....	81,900	-	81,900
Other assets.....	133,619	-	133,619
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	5,431,063	5,431,063
Special assessments.....	310,292	15,138,426	15,448,718
Loans.....	1,790,742	-	1,790,742
Capital assets, non-depreciable.....	5,150,014	4,842,708	9,992,722
Capital assets, depreciable.....	70,838,012	63,265,173	134,103,185
TOTAL ASSETS.....	95,879,756	101,850,166	197,729,922
LIABILITIES			
CURRENT:			
Warrants payable.....	1,341,734	174,773	1,516,507
Accrued liabilities.....	147,492	-	147,492
Health claims payable.....	807,642	-	807,642
Tax refunds payable.....	257,000	-	257,000
Accrued interest.....	27,502	435,173	462,675
Payroll withholdings.....	408,593	-	408,593
Other liabilities.....	15,967	-	15,967
Compensated absences.....	937,000	49,000	986,000
Notes payable.....	360,000	-	360,000
Bonds payable.....	756,276	3,024,742	3,781,018
NONCURRENT:			
Compensated absences.....	1,015,000	38,000	1,053,000
Other postemployment benefits.....	21,995,255	486,472	22,481,727
Bonds payable.....	3,343,825	32,026,392	35,370,217
TOTAL LIABILITIES.....	31,413,286	36,234,552	67,647,838
NET POSITION			
Net investment in capital assets.....	72,589,224	43,445,963	116,035,187
Restricted for:			
Streets.....	459,204	-	459,204
Community preservation.....	2,881,726	-	2,881,726
Permanent funds:			
Expendable.....	291,479	-	291,479
Nonexpendable.....	355,241	-	355,241
Grants and gifts.....	1,500,527	-	1,500,527
Unrestricted.....	(13,610,931)	22,169,651	8,558,720
TOTAL NET POSITION.....	\$ 64,466,470	\$ 65,615,614	\$ 130,082,084

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2013

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
Governmental Activities:						
General government.....	\$ 6,829,647	\$ 1,462,284	\$ 514,694	\$ 116,598	\$ (4,736,071)	
Public safety.....	9,304,942	1,176,797	170,327	-	(7,957,818)	
Education.....	52,930,297	1,067,498	23,189,836	-	(28,672,963)	
Public works.....	4,580,377	364,200	94,693	731,969	(3,389,515)	
Human services.....	1,092,255	302,321	141,699	-	(648,235)	
Community preservation.....	25,968	-	-	588,259	562,291	
Culture and recreation.....	907,634	38,271	69,935	-	(799,428)	
Interest.....	114,086	-	-	-	(114,086)	
Total Governmental Activities.....	75,785,206	4,411,371	24,181,184	1,436,826	(45,755,825)	
Business-Type Activities:						
Water Pollution Control Facility.....	6,570,769	6,196,201	-	6,115,134	5,740,566	
Total Primary Government.....	\$ 82,355,975	\$ 10,607,572	\$ 24,181,184	\$ 7,551,960	\$ (40,015,259)	

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ <u>(45,755,825)</u>	\$ <u>5,740,566</u>	\$ <u>(40,015,259)</u>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	31,844,811	-	31,844,811
Tax liens.....	666,376	-	666,376
Motor vehicle and other excise taxes.....	2,842,908	-	2,842,908
Penalties and interest on taxes.....	291,113	-	291,113
Community preservation surtax.....	595,273	-	595,273
Grants and contributions not restricted to specific programs.....	3,075,151	-	3,075,151
Unrestricted investment income.....	29,010	14,454	43,464
Miscellaneous.....	80,486	-	80,486
<i>Transfers, net</i>	<u>513,000</u>	<u>(513,000)</u>	<u>-</u>
Total general revenues and transfers.....	<u>39,938,128</u>	<u>(498,546)</u>	<u>39,439,582</u>
Change in net position.....	(5,817,697)	5,242,020	(575,677)
<i>Net Position:</i>			
Beginning of year.....	<u>70,284,167</u>	<u>60,373,594</u>	<u>130,657,761</u>
End of year.....	\$ <u><u>64,466,470</u></u>	\$ <u><u>65,615,614</u></u>	\$ <u><u>130,082,084</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2013

ASSETS	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents.....	\$ 3,172,331	\$ 6,224,591	\$ 9,396,922
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	653,351	9,179	662,530
Tax liens.....	2,089,607	15,202	2,104,809
Motor vehicle excise taxes.....	770,864	-	770,864
Departmental and other.....	271,300	270,509	541,809
Special assessments.....	-	350,292	350,292
Intergovernmental.....	-	1,024,798	1,024,798
Loans.....	-	1,831,121	1,831,121
Tax foreclosures.....	663,136	-	663,136
TOTAL ASSETS.....	\$ 7,620,589	\$ 9,725,692	\$ 17,346,281
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 1,061,147	\$ 280,587	\$ 1,341,734
Tax refunds payable.....	257,000	-	257,000
Payroll withholdings.....	7,716	-	7,716
Other liabilities.....	14,717	1,250	15,967
Deferred revenues.....	4,292,147	3,096,752	7,388,899
Notes payable.....	-	360,000	360,000
TOTAL LIABILITIES.....	5,632,727	3,738,589	9,371,316
FUND BALANCES:			
Nonspendable.....	-	355,241	355,241
Restricted.....	-	5,692,263	5,692,263
Committed.....	488,037	-	488,037
Assigned.....	36,778	-	36,778
Unassigned.....	1,463,047	(60,401)	1,402,646
TOTAL FUND BALANCES.....	1,987,862	5,987,103	7,974,965
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 7,620,589	\$ 9,725,692	\$ 17,346,281

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

FISCAL YEAR ENDED JUNE 30, 2013

Total governmental fund balances.....	\$ 7,974,965
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	75,988,026
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....	7,388,899
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 position.....	1,189,438
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(27,502)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds payable.....	(4,100,101)
Other postemployment benefits.....	(21,995,255)
Compensated absences.....	(1,952,000)
Net effect of reporting long-term liabilities.....	<u>(28,047,356)</u>
Net position of governmental activities.....	<u>\$ 64,466,470</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ 31,847,322	\$ -	\$ 31,847,322
Community preservation surtax.....	-	586,716	586,716
Tax liens.....	445,826	7,445	453,271
Motor vehicle and other excise taxes.....	2,649,028	-	2,649,028
Charges for services.....	972,105	344,215	1,316,320
Penalties and interest on taxes.....	283,743	7,370	291,113
Fees and rentals.....	-	1,270,625	1,270,625
Licenses and permits.....	826,850	-	826,850
Fines and forfeitures.....	86,445	-	86,445
Intergovernmental.....	21,268,008	6,595,330	27,863,338
Departmental and other.....	25,745	1,133,959	1,159,704
Contributions.....	-	850,960	850,960
Investment income (loss).....	20,482	7,640	28,122
TOTAL REVENUES.....	58,425,554	10,804,260	69,229,814
EXPENDITURES:			
Current:			
General government.....	2,549,696	1,722,616	4,272,312
Public safety.....	5,416,991	1,078,673	6,495,664
Education.....	29,392,245	5,469,587	34,861,832
Public works.....	2,130,018	1,008,864	3,138,882
Human services.....	544,655	138,982	683,637
Community preservation.....	-	271,756	271,756
Culture and recreation.....	413,968	153,365	567,333
Pension benefits.....	9,356,170	-	9,356,170
Employee benefits.....	8,037,067	-	8,037,067
Claims and judgments.....	82,313	-	82,313
State and county charges.....	2,074,244	-	2,074,244
Debt service:			
Principal.....	411,000	125,089	536,089
Interest.....	80,071	33,551	113,622
TOTAL EXPENDITURES.....	60,488,438	10,002,483	70,490,921
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(2,062,884)	801,777	(1,261,107)
OTHER FINANCING SOURCES (USES):			
Proceeds from bonds.....	-	200,000	200,000
Transfers in.....	1,278,700	44,983	1,323,683
Transfers out.....	(44,983)	(765,700)	(810,683)
TOTAL OTHER FINANCING SOURCES (USES).....	1,233,717	(520,717)	713,000
NET CHANGE IN FUND BALANCES.....	(829,167)	281,060	(548,107)
FUND BALANCES AT BEGINNING OF YEAR.....	2,817,029	5,706,043	8,523,072
FUND BALANCES AT END OF YEAR.....	\$ 1,987,862	\$ 5,987,103	\$ 7,974,965

See notes to basic financial statements.

**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, 2013

Net change in fund balances - total governmental funds.....	\$	(548,107)
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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.

Capital outlay.....	2,046,410	
Depreciation expense.....	<u>(3,275,327)</u>	
Net effect of reporting capital assets.....		(1,228,917)

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..... 223,807

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.

Proceeds from bonds.....	(200,000)	
Debt service principal payments.....	<u>536,089</u>	
Net effect of reporting long-term debt.....		336,089

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.

Net change in compensated absences.....	(142,000)	
Net change in accrued interest on long-term debt.....	(464)	
Net change in capital lease obligation.....	94,916	
Net change in other postemployment benefits.....	<u>(5,088,255)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		(5,135,803)

Internal service funds are used by management to account for health insurance and workers' compensation activities.

The net activity of internal service funds is reported with Governmental Activities.....		<u>535,234</u>
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Change in net position of governmental activities.....	\$	<u><u>(5,817,697)</u></u>
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See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-type Activities	Governmental Activities - Internal Service Funds
	Water Pollution Control Facility	
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 9,684,766	\$ 2,329,930
Receivables, net of allowance for uncollectibles:		
User fees.....	1,163,721	-
Sewer liens.....	312,825	-
Departmental and other.....	-	133,619
Special assessments.....	791,595	-
Intergovernmental.....	1,219,889	-
Working capital deposit.....	-	81,900
Total current assets.....	13,172,796	2,545,449
NONCURRENT:		
Receivables, net of allowance for uncollectibles:		
Intergovernmental.....	5,431,063	-
Special assessments.....	15,138,426	-
Capital assets, non depreciable.....	4,842,708	-
Capital assets, depreciable.....	63,265,173	-
Total noncurrent assets.....	88,677,370	-
TOTAL ASSETS.....	101,850,166	2,545,449
LIABILITIES		
CURRENT:		
Warrants payable.....	174,773	-
Accrued liabilities.....	-	147,492
Health claims payable.....	-	807,642
Accrued interest.....	435,173	-
Payroll withholdings.....	-	400,877
Compensated absences.....	49,000	-
Bonds payable.....	3,024,742	-
Total current liabilities.....	3,683,688	1,356,011
NONCURRENT:		
Compensated absences.....	38,000	-
Other postemployment benefits.....	486,472	-
Bonds payable.....	32,026,392	-
Total noncurrent liabilities.....	32,550,864	-
TOTAL LIABILITIES.....	36,234,552	1,356,011
NET POSITION		
Net investment in capital assets.....	43,445,963	-
Unrestricted.....	22,169,651	1,189,438
TOTAL NET POSITION.....	\$ 65,615,614	\$ 1,189,438

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities Water Pollution Control Facility	Governmental Activities - Internal Service Funds
<u>OPERATING REVENUES:</u>		
Employee contributions.....	\$ -	\$ 2,333,853
Employer contributions.....	-	7,231,673
Charges for services.....	6,192,656	-
Other.....	3,545	-
TOTAL OPERATING REVENUES	6,196,201	9,565,526
<u>OPERATING EXPENSES:</u>		
Cost of services and administration.....	2,735,348	-
Depreciation.....	2,530,130	-
Employee benefits	-	9,031,180
TOTAL OPERATING EXPENSES	5,265,478	9,031,180
OPERATING INCOME (LOSS).....	930,723	534,346
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Investment income.....	14,454	888
Interest expense.....	(1,305,291)	-
Intergovernmental.....	549,583	-
Betterments and interest on betterments.....	5,565,551	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	4,824,297	888
INCOME (LOSS) BEFORE OPERATING TRANSFERS.....	5,755,020	535,234
<u>TRANSFERS:</u>		
Transfers out.....	(513,000)	-
CHANGE IN NET POSITION.....	5,242,020	535,234
NET POSITION AT BEGINNING OF YEAR.....	60,373,594	654,204
NET POSITION AT END OF YEAR.....	\$ 65,615,614	\$ 1,189,438

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities Water Pollution Control Facility	Governmental Activities - Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users.....	\$ 6,013,318	\$ -
Receipts from interfund services provided.....	-	9,565,526
Payments to vendors.....	(1,886,589)	-
Payments to employees.....	(708,409)	-
Payments for interfund services used.....	-	(8,640,168)
NET CASH FROM OPERATING ACTIVITIES.....	<u>3,418,320</u>	<u>925,358</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Transfers out.....	(513,000)	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition and construction of capital assets.....	(143,444)	-
Principal payments on bonds and notes.....	(2,414,185)	-
Betterments and interest on betterments.....	1,684,719	-
Interest expense.....	(774,860)	-
Intergovernmental.....	188,478	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(1,459,292)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investment income.....	14,454	888
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,460,482	926,246
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>8,224,284</u>	<u>1,403,684</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 9,684,766</u>	<u>\$ 2,329,930</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>		
Operating income (loss).....	\$ 930,723	\$ 534,346
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation.....	2,530,130	-
Changes in assets and liabilities:		
Tax liens.....	(33,677)	-
User fees.....	(149,206)	-
Departmental and other.....	-	142,617
Working capital deposit.....	-	8,700
Other postemployment benefits obligation.....	100,472	-
Warrants payable.....	36,878	(53,079)
Accrued liabilities.....	-	147,492
Health claims payable.....	-	83,275
Payroll withholdings.....	-	62,007
Accrued compensated absences.....	3,000	-
Total adjustments.....	<u>2,487,597</u>	<u>391,012</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 3,418,320</u>	<u>\$ 925,358</u>
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>		
Principal and interest intergovernmental subsidies.....	\$ (1,180,760)	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	Private Purpose Trust Funds	Agency Funds
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 615,327	\$ 572,298
LIABILITIES		
Warrants payable.....	199	-
Liabilities due depositors.....	-	540,067
Other liabilities.....	-	32,231
TOTAL LIABILITIES.....	199	572,298
NET POSITION		
Held in trust for other purposes.....	\$ 615,128	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FISCAL YEAR ENDED JUNE 30, 2013

	Private Purpose Trust Funds
<u>ADDITIONS:</u>	
Contributions.....	\$ 39,000
Investment income.....	1,213
TOTAL ADDITIONS.....	40,213
<u>DEDUCTIONS:</u>	
Educational scholarships.....	38,098
CHANGE IN NET ASSETS.....	2,115
NET POSITION AT BEGINNING OF YEAR.....	613,013
NET POSITION AT END OF YEAR.....	\$ 615,128

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 2013 assessment totaled \$2,595,519. 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 position and the statement of changes in net position) 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 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st 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 the 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. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town does not have any items that qualify for reporting in this category.

I. 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 position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position 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.

J. 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 position. 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.

K. 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.

L. Net Position and Fund Equity

Government-Wide Financial Statements (Net position)

Net position reported as "net investment in capital assets" 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. Outstanding debt related to future reimbursements from the state's school building program is not considered to be capital related debt.

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

Net Position has 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.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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. Town meeting is the highest level of decision making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

"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. The Board of Selectmen has by resolution authorized the Town Accountant to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

"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.

Sometimes the Town will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the Town's policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

M. 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 position. 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.

N. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor 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.

O. 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.

P. 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.

Q. Individual Fund Deficits

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

R. 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 \$22,599,443 and the bank balance totaled \$24,643,418. Of the bank balance, \$1,517,563 was covered by Federal Depository Insurance, \$4,753,007 was covered under the Depositors Insurance Fund, \$16,958,216 was collateralized, and \$1,414,632 was uninsured and uncollateralized. 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, 2013 the Town did not have any investments.

NOTE 3 – RECEIVABLES

At June 30, 2013, receivables for the individual major and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 711,530	\$ (49,000)	\$ 662,530
Tax liens.....	2,104,809	-	2,104,809
Motor vehicle and other excise taxes.....	894,864	(124,000)	770,864
Departmental and other.....	1,100,809	(559,000)	541,809
Special assessments.....	350,292	-	350,292
Intergovernmental.....	1,024,798	-	1,024,798
Loans.....	2,229,698	(398,577)	1,831,121
Total.....	<u>\$ 8,416,800</u>	<u>\$ (1,130,577)</u>	<u>\$ 7,286,223</u>

At June 30, 2013, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User fees.....	\$ 1,163,721	\$ -	\$ 1,163,721
Tax liens.....	312,825	-	312,825
Special assessments.....	15,930,021	-	15,930,021
Intergovernmental.....	6,650,952	-	6,650,952
Total.....	<u>\$ 24,057,519</u>	<u>\$ -</u>	<u>\$ 24,057,519</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....	\$ 497,240	\$ 9,178	\$ 506,418
Tax liens.....	2,089,607	15,202	2,104,809
Motor vehicle and other excise.....	770,864	-	770,864
Departmental and other.....	271,300	270,509	541,809
Special assessments.....	-	350,292	350,292
Intergovernmental.....	-	620,450	620,450
Loans.....	-	1,831,121	1,831,121
Tax foreclosures.....	663,136	-	663,136
Total.....	<u>\$ 4,292,147</u>	<u>\$ 3,096,752</u>	<u>\$ 7,388,899</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 5,150,014	\$ -	\$ -	\$ 5,150,014
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	68,077,646	324,230	-	68,401,876
Land improvements.....	4,338,491	-	-	4,338,491
Machinery and equipment.....	5,100,075	116,570	-	5,216,645
Vehicles.....	4,668,148	96,620	-	4,764,768
Infrastructure.....	52,513,231	1,508,990	-	54,022,221
Total capital assets being depreciated.....	134,697,591	2,046,410	-	136,744,001
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(30,808,693)	(1,231,633)	-	(32,040,326)
Land improvements.....	(1,591,866)	(208,469)	-	(1,800,335)
Machinery and equipment.....	(4,058,056)	(178,585)	-	(4,236,641)
Vehicles.....	(3,624,079)	(355,908)	-	(3,979,987)
Infrastructure.....	(22,547,968)	(1,300,732)	-	(23,848,700)
Total accumulated depreciation.....	(62,630,662)	(3,275,327)	-	(65,905,989)
Total capital assets being depreciated, net.....	72,066,929	(1,228,917)	-	70,838,012
Total governmental activities capital assets, net.....	\$ 77,216,943	\$ (1,228,917)	\$ -	\$ 75,988,026

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,842,708	\$ -	\$ -	\$ 4,842,708
<u>Capital assets being depreciated:</u>				
Buildings.....	29,998,148	-	-	29,998,148
Machinery and equipment.....	13,516,322	-	-	13,516,322
Vehicles.....	714,934	-	-	714,934
Infrastructure.....	56,214,115	143,444	-	56,357,559
Total capital assets being depreciated.....	100,443,519	143,444	-	100,586,963
<u>Less accumulated depreciation for:</u>				
Buildings.....	(5,436,417)	(599,639)	-	(6,036,056)
Machinery and equipment.....	(9,771,114)	(420,248)	-	(10,191,362)
Vehicles.....	(668,550)	(10,307)	-	(678,857)
Infrastructure.....	(18,915,579)	(1,499,936)	-	(20,415,515)
Total accumulated depreciation.....	(34,791,660)	(2,530,130)	-	(37,321,790)
Total capital assets being depreciated, net.....	65,651,859	(2,386,686)	-	63,265,173
Total business-type activities capital assets, net.....	\$ 70,494,567	\$ (2,386,686)	\$ -	\$ 68,107,881

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

Governmental Activities:

General government.....	\$ 171,719
Public safety.....	254,974
Education.....	1,302,313
Public works.....	1,383,696
Human services.....	55,904
Culture and recreation.....	97,579
Community preservation.....	9,142
Total depreciation expense - governmental activities.....	\$ 3,275,327

Business-Type Activities:

Water Pollution Control Facility.....	\$ 2,530,130
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NOTE 5 – INTERFUND RECEIVABLES AND TRANSFERS

There were no interfund receivables as of June 30, 2013.

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

Transfers Out:	Transfers In:			
	General Fund	Nonmajor Governmental Funds	Total	
General Fund.....	\$ -	\$ 44,983	\$ 44,983	(1)
Nonmajor Governmental Funds.....	765,700	-	765,700	(2)
Water Pollution Control Facility.....	513,000	-	513,000	(3)
	<u>\$ 1,278,700</u>	<u>\$ 44,983</u>	<u>\$ 1,323,683</u>	

(1) Represents transfers from the general fund to the cemetery perpetual care and waterway improvement funds.

(2) Represents transfers from various special revenue and capital project funds to the general fund including: ambulance, waterways, onset pier, 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, 2012	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2013
Governmental Funds:							
BAN	MWPAT T5-97-1019-E.....	0.00%	04/01/13	\$ 165,226	\$ 34,774	\$ 200,000	\$ -
BAN	MWPAT T5-97-1019-F.....	0.00%	06/01/14	-	60,000	-	60,000
BAN	Various Municipal Projects.....	0.50%	02/12/14	-	300,000	-	300,000
Total notes payable.....				<u>\$ 165,226</u>	<u>\$ 394,774</u>	<u>\$ 200,000</u>	<u>\$ 360,000</u>

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>		Governmental Activities
Vehicles.....	\$	335,755
Less: accumulated depreciation.....		(235,029)
Total.....	\$	<u>100,726</u>

During fiscal year 2013, the Town made the final payment on the police cruiser lease.

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, 2013, and the debt service requirements follow.

Bonds and Notes Payable Schedule – Governmental Funds

Project	Maturities Through	Original Amount Issued	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Building Remodeling.....	2015	\$ 68,000	4.7%	\$ 11,000	\$ -	\$ 4,000	\$ 7,000
Building Remodeling.....	2015	74,000	4.7%	12,000	-	4,000	8,000
Building Remodeling - Senior Center...	2017	449,000	4.8%	111,000	-	23,000	88,000
Building Remodeling - School.....	2017	365,000	4.8%	95,000	-	19,000	76,000
Building Remodeling - School.....	2017	500,000	4.8%	130,000	-	26,000	104,000
Building Remodeling - School.....	2014	234,000	4.7%	28,000	-	14,000	14,000
MWPAT Title V 97-1019.....	2019	195,676	4.4%	76,084	-	10,872	65,212
MWPAT Title V 97-1019 - 1.....	2021	189,474	4.4%	94,057	-	9,166	84,891
Building Remodeling - EMS.....	2020	500,000	4.2%	200,000	-	25,000	175,000
Open Space.....	2019	184,000	4.1%	70,000	-	10,000	60,000
School Bus Garage.....	2020	150,000	4.1%	50,000	-	10,000	40,000
Town Hall Repairs.....	2021	300,000	4.3%	135,000	-	15,000	120,000
School Roof.....	2021	200,000	4.3%	90,000	-	10,000	80,000
Multi-purpose.....	2023	3,609,000	3.8%	1,525,000	-	285,000	1,240,000
MWPAT Title V 97-1019 - 2.....	2025	185,254	4.6%	118,575	-	9,525	109,050
Building Remodeling.....	2015	100,000	3.6%	30,000	-	10,000	20,000
Building Remodeling II.....	2015	120,000	3.6%	45,000	-	15,000	30,000
MWPAT Title V 97-1019 - 3C.....	2028	200,000	0.0%	160,000	-	10,000	150,000
State House Notes.....	2013	80,000	6.5%	16,000	-	16,000	-
MWPAT Title V T5-97-1019-D.....	2030	200,000	0.0%	189,474	-	10,526	178,948
State House Notes.....	2018	1,250,000	2.0%	1,250,000	-	-	1,250,000
MWPAT Title V T5-97-1019-E.....	2033	200,000	0.0%	-	200,000	-	200,000
Total.....				\$ 4,436,190	\$ 200,000	\$ 536,089	\$ 4,100,101

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

GOVERNMENTAL FUNDS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	756,276	119,285	875,561
2015.....	726,272	95,519	821,791
2016.....	577,747	66,695	644,442
2017.....	492,747	56,266	549,013
2018.....	421,747	42,100	463,847
2019.....	226,747	31,542	258,289
2020.....	206,913	23,145	230,058
2021.....	176,912	16,629	193,541
2022.....	140,526	10,604	151,130
2023.....	140,526	5,285	145,811
2024.....	35,526	375	35,901
2025.....	35,527	125	35,652
2026.....	30,527	-	30,527
2027.....	30,527	-	30,527
2028.....	30,527	-	30,527
2029.....	20,527	-	20,527
2030.....	20,527	-	20,527
2031.....	10,000	-	10,000
2032.....	10,000	-	10,000
2033.....	10,000	-	10,000
Total.....	\$ 4,100,101	\$ 467,570	\$ 4,567,671

Bonds and Notes Payable Schedule – Enterprise Funds

<u>Project</u>	<u>Maturities Through</u>	<u>Original Amount Issued</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2012</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2013</u>
Sewer Riverside.....	2022	180,405	4.3%	\$ 80,000	\$ -	\$ 10,000	\$ 70,000
Sewer Sunset Island.....	2022	265,000	4.3%	115,000	-	15,000	100,000
Sewer Thatcher.....	2022	1,215,000	4.4%	610,000	-	65,000	545,000
Engineering- Water Pollution.....	2022	1,315,000	4.4%	660,000	-	70,000	590,000
Sewer Design & Construction.....	2018	2,106,000	4.8%	623,000	-	105,000	518,000
Sewer Design & Construction.....	2020	468,200	6.0%	124,849	-	15,606	109,243
MWPAT Construction 91-18-A.....	2014	3,370,643	0.0%	781,663	-	518,226	263,437
MWPAT Construction 96-15.....	2017	1,470,980	5.4%	533,924	-	100,535	433,389
MWPAT Construction 91-18.....	2017	1,411,886	5.4%	512,473	-	96,496	415,977
MWPAT Construction CW-01-41.....	2023	8,823,166	5.0%	5,914,665	-	459,665	5,455,000
MWPAT Construction CW-02-49.....	2024	10,878,067	5.0%	8,241,573	-	567,960	7,673,613
Sewer Planning.....	2023	597,000	3.9%	355,000	-	35,000	320,000
Sewer Weweatic.....	2026	3,305,000	3.9%	2,285,000	-	170,000	2,115,000
Sewer Pump Station.....	2026	800,000	3.8%	560,000	-	40,000	520,000
Sewer Pump Station.....	2015	500,000	3.6%	225,000	-	75,000	150,000
MWPAT Construction CW-02-49A.....	2027	688,636	0.0%	573,865	-	38,257	535,608
MWPAT Construction CW-05-10.....	2027	4,978,306	2.0%	4,267,899	-	246,433	4,021,466
MWPAT Construction CWS-07-37.....	2031	6,567,049	2.0%	6,297,314	-	275,184	6,022,130
Serial State Issue-Sewer.....	2017	667,000	2.5%	667,000	-	142,000	525,000
MWPAT CWS-07-37-A.....	2033	4,668,271	2.0%	4,668,271	-	-	4,668,271
Total.....				\$ 38,096,496	\$ -	\$ 3,045,362	\$ 35,051,134

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

ENTERPRISE FUNDS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	3,024,742	1,112,393	4,137,135
2015.....	2,800,730	996,706	3,797,436
2016.....	2,781,314	882,901	3,664,215
2017.....	2,833,408	763,446	3,596,854
2018.....	2,523,138	657,512	3,180,650
2019.....	2,474,256	580,468	3,054,724
2020.....	2,525,709	467,104	2,992,813
2021.....	2,571,892	380,290	2,952,182
2022.....	2,624,029	292,176	2,916,205
2023.....	2,541,520	189,094	2,730,614
2024.....	1,924,371	147,066	2,071,437
2025.....	1,140,589	121,202	1,261,791
2026.....	1,159,187	94,969	1,254,156
2027.....	978,165	72,359	1,050,524
2028.....	626,623	56,695	683,318
2029.....	639,674	44,032	683,706
2030.....	652,996	31,106	684,102
2031.....	666,595	17,910	684,505
2032.....	278,076	8,463	286,539
2033.....	284,120	2,841	286,961
Total.....	\$ 35,051,134	\$ 6,918,733	\$ 41,969,867

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 \$4,055,000 and interest costs for \$2,643,000. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$22,885,000. The principal subsidies are guaranteed and therefore a \$4,055,000 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 2013 principal and interest subsidies totaled \$631,000 and \$550,000 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, 2013, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Massachusetts Water Pollution Abatement Trust.... \$	7,273,000
School Equipment & Technology.....	341,000
School Roof Repair.....	110,000
School Buses.....	360,000
School Feasibility Study.....	575,000
Various Municipal Projects.....	50,000
Textbooks.....	397,000
Total.....	\$ 9,106,000

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2013, the following changes occurred in long-term liabilities:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Governmental Activities:					
Long-Term Bonds.....	\$ 4,436,190	\$ 200,000	\$ (536,089)	\$ 4,100,101	\$ 756,276
Other Postemployment Benefits.....	16,907,000	7,690,057	(2,601,802)	21,995,255	-
Compensated Absences.....	1,810,000	1,064,311	(922,311)	1,952,000	937,000
Capital Leases.....	94,916	-	(94,916)	-	-
Total.....	<u>\$ 23,248,106</u>	<u>\$ 8,954,368</u>	<u>\$ (4,155,118)</u>	<u>\$ 28,047,356</u>	<u>\$ 1,693,276</u>
Business-Type Activities:					
Long-Term Bonds.....	\$ 38,096,496	\$ -	\$ (3,045,362)	\$ 35,051,134	\$ 3,024,742
Other Postemployment Benefits.....	386,000	102,498	(2,026)	486,472	-
Compensated Absences.....	84,000	54,000	(51,000)	87,000	49,000
Total.....	<u>\$ 38,566,496</u>	<u>\$ 156,498</u>	<u>\$ (3,098,388)</u>	<u>\$ 35,624,606</u>	<u>\$ 3,073,742</u>

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

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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 \$411,017 and is reported as unassigned fund balance within the General Fund.

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
FUND BALANCES			
Nonspendable:			
Permanent fund principal..... \$	- \$	355,241 \$	355,241
Restricted for:			
Revolving funds.....	-	1,428,452	1,428,452
Private/local gift and grant funds.....	-	626,444	626,444
School lunch.....	-	140,396	140,396
Town grant funds.....	-	144,704	144,704
School grant funds.....	-	588,983	588,983
Community preservation fund.....	-	2,467,949	2,467,949
Ambulance fund.....	-	75	75
School capital projects.....	-	3,781	3,781
Other permanent funds.....	-	291,479	291,479
Committed to:			
General government.....	166,799	-	166,799
Public safety.....	198,504	-	198,504
Public works.....	122,734	-	122,734
Assigned to:			
General government.....	13,278	-	13,278
Public works.....	19,500	-	19,500
Human services.....	4,000	-	4,000
Unassigned.....	1,463,047	(60,401)	1,402,646
TOTAL FUND BALANCES..... \$	<u>1,987,862</u> \$	<u>5,987,103</u> \$	<u>7,974,965</u>

NOTE 10 – RISK FINANCING

The Town is self-insured for its health and dental insurance activities. These 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 two months average health claims and two months average dental claims. The Town purchases individual stop loss insurance for claims in excess of coverage provided by the Town in the amount of \$100,000. At June 30, 2013, the amount of the liability for health and dental insurance claims totaled \$807,642. This liability is the best estimate based on available information.

Changes in the reported liability since July 1, 2011, 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 2013.....	\$ 724,367	\$ 8,723,443	\$ (8,640,168)	\$ 807,642
Fiscal Year 2012.....	551,608	8,655,932	(8,483,173)	724,367

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, 2013, 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 County 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 \$6,593,000 for the fiscal year ended June 30, 2013, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

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 County Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 10 Cordage Park, Suite 234, 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, 2013, 2012, and 2011 were \$2,734,648, \$2,342,535, and \$2,530,839, 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.

As of the July 1, 2012 actuarial, the Plan's membership consisted of the following:

Current retirees, beneficiaries, and dependents...	291
Current active members.....	<u>594</u>
Total.....	<u><u>885</u></u>

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 2013, the Town contributed \$2.6 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.....	\$ 7,765,373
Interest on UAAL.....	691,720
Adjustments to annual required contribution.....	<u>(664,538)</u>
Annual OPEB cost (expense).....	7,792,555
Contributions made.....	<u>(2,603,828)</u>
Increase/(Decrease) in net OPEB obligation.....	5,188,727
Net OPEB obligation - beginning of year.....	<u>17,293,000</u>
Net OPEB obligation - end of year.....	<u><u>\$ 22,481,727</u></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 2013 and three prior years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of the ARC Contributed	Net OPEB Obligation
6/30/2013	\$ 7,792,555	33%	\$ 22,481,727
6/30/2012	7,498,000	46%	17,293,000
6/30/2011	7,480,000	42%	13,232,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$82.1 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was not reported in the July 1, 2012 actuarial valuation.

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, 2012, 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, projected compensation increases of 3%, an inflation rate of 2.5%, and an annual medical/drug cost trend rate of 6% initially, graded to 5% starting in fiscal year 2014. The UAAL is being amortized using level dollar method over the maximum acceptable open period of 30 years at the last valuation. The remaining amortization period is 26 years as of July 1, 2012.

NOTE 13 - COMMITMENTS

The Town has entered into, or is planning to enter into contracts totaling approximately \$9.1 million for infrastructure upgrades and various sewer projects, school projects and feasibility study, and various other 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, 2013, 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, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2013.

NOTE 15 – FUTURE IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2013, the following GASB pronouncements were implemented:

- GASB Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #61, *The Financial Reporting Entity: Omnibus*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Financial statement changes include net assets changing to net position and invested in capital assets, net of related debt changing to net investment in capital assets. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- GASB Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2014.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements.

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Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		
	Amounts Carried forward From Prior Year	Original Budget	Final Budget
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 32,376,364	\$ 32,376,364
Tax liens.....	-	315,465	315,465
Motor vehicle and other excise taxes.....	-	2,576,693	2,576,693
Charges for services.....	-	782,424	766,819
Penalties and interest on taxes.....	-	331,895	347,500
Licenses and permits.....	-	790,490	790,490
Fines and forfeitures.....	-	100,000	100,000
Intergovernmental.....	-	14,617,446	14,617,446
Departmental and other.....	-	8,874	8,874
Investment income.....	-	15,000	15,000
TOTAL REVENUES.....	-	51,914,651	51,914,651
EXPENDITURES:			
Current:			
General government.....	76,428	2,999,552	2,858,768
Public safety.....	49,535	5,425,096	5,706,387
Education.....	-	29,392,653	29,392,653
Public works.....	97,753	1,747,434	1,797,434
Human services.....	4,193	544,124	578,824
Culture and recreation.....	-	403,235	415,028
Pension benefits.....	-	2,764,648	2,764,648
Employee benefits.....	-	6,780,865	8,096,694
Claims and judgments.....	-	-	-
State and county charges.....	-	2,043,741	2,043,741
Debt service:			
Principal.....	-	471,100	401,100
Interest.....	-	154,600	114,600
TOTAL EXPENDITURES.....	227,909	52,727,048	54,169,877
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(227,909)	(812,397)	(2,255,226)
OTHER FINANCING SOURCES (USES):			
Transfers in.....	-	877,600	1,035,600
Transfers out.....	-	(167,500)	(167,500)
TOTAL OTHER FINANCING SOURCES (USES).....	-	710,100	868,100
OTHER BUDGETARY AMOUNTS:			
Available funds for carryforward articles.....	227,909	227,909	227,909
Free cash and other available funds voted to balance the budget.....	-	155,000	1,439,829
Amounts raised for prior years snow and ice deficit.....	-	(30,475)	(30,475)
Amounts raised for various prior year claims and judgments.....	-	(250,137)	(250,137)
TOTAL OTHER BUDGETARY AMOUNTS.....	227,909	102,297	1,387,126
NET CHANGE IN FUND BALANCE.....	-	-	-
BUDGETARY FUND BALANCE, Beginning of year.....	-	2,548,051	2,548,051
BUDGETARY FUND BALANCE, End of year.....	\$ -	\$ 2,548,051	\$ 2,548,051

See notes to basic financial statements.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$	31,848,899	\$ -	\$ (527,465)
	445,826	-	130,361
	2,649,028	-	72,335
	972,105	-	205,286
	283,743	-	(63,757)
	826,850	-	36,360
	86,445	-	(13,555)
	14,675,008	-	57,562
	25,745	-	16,871
	19,852	-	4,852
	<u>51,833,501</u>	<u>-</u>	<u>(81,150)</u>
	2,599,796	180,077	78,895
	5,416,991	198,504	90,892
	29,392,245	-	408
	2,130,018	142,234	(474,818)
	544,655	4,000	30,169
	413,968	-	1,060
	2,763,170	-	1,478
	8,037,067	-	59,627
	82,313	-	(82,313)
	2,074,244	-	(30,503)
	411,000	-	(9,900)
	80,071	-	34,529
	<u>53,945,538</u>	<u>524,815</u>	<u>(300,476)</u>
	<u>(2,112,037)</u>	<u>(524,815)</u>	<u>(381,626)</u>
	1,436,700	-	401,100
	<u>(194,983)</u>	<u>-</u>	<u>(27,483)</u>
	<u>1,241,717</u>	<u>-</u>	<u>373,617</u>
	-	-	(227,909)
	-	-	(1,439,829)
	-	-	30,475
	<u>-</u>	<u>-</u>	<u>250,137</u>
	<u>-</u>	<u>-</u>	<u>(1,387,126)</u>
	(870,320)	(524,815)	(1,395,135)
	<u>2,548,051</u>	<u>-</u>	<u>-</u>
\$	<u><u>1,677,731</u></u>	<u><u>(524,815)</u></u>	<u><u>(1,395,135)</u></u>

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 plan 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.

**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)
01/01/13	\$ 666,899,774	\$ 1,319,764,989	\$ 652,865,215	50.5%	\$ 238,655,485	273.6%
01/01/11	666,730,812	1,181,508,931	514,778,119	56.4%	228,284,638	225.5%
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, 2012, is approximately 5.2%.

**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%
2012	46,850,764	46,850,764	100%	2,342,535	5.00%
2013	52,815,432	52,815,432	100%	2,734,648	5.18%

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

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.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

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)
7/1/2012	\$ -	\$ 82,104,869	\$ 82,104,869	0.00%	\$ N/A	N/A
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
2013	\$ 7,765,373	\$ 2,603,828	34%
2012	7,705,000	3,437,000	45%
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.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date	July 1, 2012
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar amortization over a 30 year period, open
Remaining amortization period	26 years as of July 1, 2012
Asset valuation method	Market Value

Actuarial Assumptions:

Investment rate of return	4.00%
Medical/drug cost trend rate	6% graded to 5% next year
Compensation increases	3.00%
Inflation rate	2.50%

Plan Membership:

Current retirees, beneficiaries, and dependents...	291
Current active members.....	<u>594</u>
Total.....	<u><u>885</u></u>

See notes to required supplementary information.

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 2013 approved budget and amounts carried forward from prior year authorized approximately \$52.9 million in appropriations and other amounts to be raised. During fiscal year 2013, the Town meeting approved subsequent increases in appropriations totaling approximately \$1.4 million.

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, 2013, is presented below:

Net change in fund balance - budgetary basis.....	\$ (870,320)
<u>Perspective difference:</u>	
Stabilization fund recorded in the General Fund for GAAP.....	(7,370)
<u>Basis of accounting differences:</u>	
Net difference in recognition of revenues.....	(45,000)
Net change in recording expenditures.....	50,100
Net change in recording 60-day receipts accrual.....	43,423
Recognition of revenue for on-behalf payments.....	6,593,000
Recognition of expenditures for on-behalf payments.....	<u>(6,593,000)</u>
Net change in fund balance - GAAP basis.....	\$ <u><u>(829,167)</u></u>

C. Appropriation Deficits

During fiscal year 2013, expenditures exceeded budgeted appropriations for snow and ice, court judgments, state and county charges, and debt service principal. 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 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, 2013
Actuarial Cost Method.....	Individual Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.0% per year
Remaining Amortization Period.....	21 years remaining as of January 1, 2013
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 of assets is determined using a five-year smoothing of asset returns greater than or less than the assumed rate of return, with a 20% corridor.

Actuarial Assumptions:

Investment rate of return.....	8.25%
Projected salary increases.....	4.00%
Cost of living adjustments.....	3.00% for the first \$13,000 of retirement income

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	3,228
Inactive participants.....	2,108
Disabled participants.....	360
Active participants.....	<u>5,729</u>
Total.....	<u>11,425</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.