

***TOWN OF WAREHAM, MASSACHUSETTS***

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

***FISCAL YEAR ENDED JUNE 30, 2009***

TOWN OF WAREHAM, MASSACHUSETTS

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JUNE 30, 2009

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## Independent Auditors' Report

To the Honorable Board of Selectmen  
Town of Wareham, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wareham, Massachusetts, as of and for the fiscal year ended June 30, 2009 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Wareham, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We were unable to obtain sufficient audit evidence to satisfy ourselves as to accuracy of the amounts reported in several areas of the financial statements. The Town's control activities for its accounting system did not completely reconcile the balances of cash and receivables nor did the Town completely reconcile the activity of the general fund, special revenue funds, capital projects fund and enterprise funds.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the reconciliation of the balances and activity of the accounts and funds described in the paragraph above, the financial statements referred to in the first paragraph above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Wareham, Massachusetts, as of June 30, 2009, and the respective changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2010, on our consideration of the Town of Wareham, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, schedule of funding progress, schedule of employer contributions, other postemployment benefit plan schedule of funding progress and other postemployment benefit plan actuarial methods and assumptions located after the notes to the basic financial statements, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Bowers + Sullivan".

July 30, 2010

# ***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, 2009. 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 2009 by \$136.1 million (net assets).
- Of this amount, 15% or \$20.6 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of fiscal 2009, undesignated fund balance for the general fund was \$903 thousand or 1.7% of total general fund expenditures.
- The General Fund operations resulted in a \$973 thousand increase in fund balance.
- Wareham's long-term debt decreased by \$5.8 million during the year. This is attributed to principle paydowns in the current year with no new long term debt issuances.
- The Town implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* which resulted in the recognition of an other post-employment benefit (OPEB) liability totaling \$4.8 million. See note 10 in the financial statements for further details.
- At fiscal year end the Town's Internal Service fund balance was \$2.1 million after taking into consideration \$862 thousand of "Incurred but not Reported" liability.

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

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

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

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

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

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

The government-wide financial statements have no component units.

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

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

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 sixteen 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 and the state fiscal stabilization fund, which are the Town's major governmental funds. 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 assets may serve over time as a useful indicator of a government's financial position. As noted below, assets exceeded liabilities by approximately \$85.3 million at the close of the most recent fiscal year.

	FY2009 Governmental Activities	FY2008 Governmental Activities
<b>Assets:</b>		
Current assets.....	\$ 19,181,097	\$ 21,975,415
Noncurrent assets (excluding capital).....	1,662,810	2,046,306
Capital assets.....	79,586,161	79,285,745
Total assets.....	<b>100,430,068</b>	<b>103,307,466</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	3,375,663	7,067,636
Noncurrent liabilities (excluding debt).....	6,124,709	2,672,334
Current debt.....	1,231,999	2,561,999
Noncurrent debt.....	4,410,714	5,342,712
Total liabilities.....	<b>15,143,085</b>	<b>17,644,681</b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	75,260,469	75,330,673
Restricted.....	4,327,557	3,411,677
Unrestricted.....	5,698,957	6,920,435
Total net assets.....	<b>\$ 85,286,983</b>	<b>\$ 85,662,785</b>

A significant portion of the Town's net assets, \$75.3 million (88%), reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets, \$4.3 million (5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$5.7 million (7%), may be used to meet the government's ongoing obligations to citizens and creditors.



At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the Town as a whole, as well as for its separate governmental and business-type activities.

The governmental activities net assets decreased by (\$1.9) million during the current fiscal year. This was primarily due to the Town implementing GASB Statement #45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions. This statement requires a systematic, accrual-basis measurement and recognition of other post-employment benefits (OPEB) cost over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. In fiscal 2009 the Town, based on its actuarial valuation, recognized an accrual of \$4.7 million for its portion of the liability that was not paid. This decrease was offset by the Town's ability to react to changing economic times and make over \$1 million in budget cuts where deemed necessary, the timing between the reimbursement and expenditure of various grants and the recognition of the Town's receivables on the full accrual basis of accounting. Key elements of change in net assets are as follows:

	<b>FY2009</b>		<b>FY2008</b>
	<b>Governmental</b>		<b>Governmental</b>
	<b>Activities</b>		<b>Activities</b>
<b>Program revenues:</b>			
Charges for services.....	\$ 5,524,809	\$	7,947,382
Operating grants and contributions.....	22,470,920		21,973,355
Capital grants and contributions.....	2,804,111		549,623
<b>General Revenues:</b>			
Real estate and personal property taxes.....	27,651,238		29,354,532
Tax liens.....	602,552		506,243
Motor vehicle and other excise taxes.....	2,122,862		2,312,109
Community preservation sutax.....	575,136		555,405
Grants and contributions not restricted to specific programs.....	2,834,994		526,234
Unrestricted investment income.....	157,125		214,545
Miscellaneous.....	443,150		737,630
Total revenues.....	<b>65,186,897</b>		<b>64,677,058</b>
<b>Expenses:</b>			
Total functional expenses.....	67,706,257		64,106,024
Interest.....	191,305		222,791
Total expenses.....	<b>67,897,562</b>		<b>64,328,815</b>
<b>Transfers.....</b>	<b>849,535</b>		<b>888,562</b>
<b>Change in net assets.....</b>	<b>\$ (1,861,130)</b>	<b>\$</b>	<b>1,236,805</b>

The governmental expenses totaled \$67.9 million of which \$30.8 million (45%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$34.4 million, primarily coming from property taxes, motor vehicle excise and non-restricted state aid.

## Business-type activities

Business-type activities assets exceeded liabilities by \$50.8 million as the close of fiscal year 2009. The following table identifies key elements of the enterprise operations:

	FY2009 Business-type Activities	FY2008 Business-type Activities
<b>Assets:</b>		
Current assets.....	\$ 5,602,848	\$ 6,139,888
Noncurrent assets (excluding capital)....	17,485,994	18,699,697
Capital assets.....	64,647,204	65,395,321
Total assets.....	<b>87,736,046</b>	<b>90,234,906</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	1,506,193	1,154,604
Noncurrent liabilities (excluding debt)....	208,100	68,830
Current debt.....	3,495,439	2,610,176
Noncurrent debt.....	31,705,418	34,941,698
Total liabilities.....	<b>36,915,150</b>	<b>38,775,308</b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	35,924,625	34,285,493
Unrestricted.....	14,896,271	17,174,105
Total net assets.....	<b>\$ 50,820,896</b>	<b>\$ 51,459,598</b>
<b>Program revenues:</b>		
Charges for services.....	\$ 5,298,879	\$ 6,463,897
Operating grants and contributions.....	704,959	727,398
Capital grants and contributions.....	-	6,385,983
<b>General Revenues:</b>		
Unrestricted investment income.....	36,919	-
Total revenues.....	<b>6,040,757</b>	<b>13,577,278</b>
<b>Expenses:</b>		
Water Pollution Control Facility.....	<b>5,829,924</b>	<b>5,851,656</b>
<b>Transfers.....</b>	<b>(849,535)</b>	<b>(888,562)</b>
<b>Change in net assets.....</b>	<b>\$ (638,702)</b>	<b>\$ 6,837,060</b>

Business-type net assets of \$35.9 million (71%) represent the investment in capital assets, while \$14.9 million (29%) is unrestricted. The Town's business-type activity net assets decreased by (\$638,702) in the current fiscal year, this is primarily due to the recognition of GASB *Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* which resulted in the recognition of a \$110 thousand liability and the fact that operating revenues were insufficient to cover both operating and non-operating expenses.

## ***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 \$5.6 million, of which \$1.2 million relates to the general fund and \$4.4 million relates to the nonmajor funds. Cumulatively there was an increase of \$1.8 million in fund balances from the prior year that is due to an increase of \$973 thousand in the general fund and increase of \$870 thousand in the nonmajor fund.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$903 thousand, while total fund balance was \$1.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 17% of total general fund expenditures, while total fund balance represents 23% of that same amount. During fiscal year 2009, the fund balance of the general fund increased by approximately \$973 thousand. This increase was primarily due to the Town reacting to a decrease in collections and state aid by approving approximately \$1 million of budget reductions at the special town meeting.

The state fiscal stabilization grant fund is used to account for federal funds that were received through the American Recovery and Reinvestment Act. During the last two months of the fiscal year, the Town's state aid was reduced by approximately \$1.3 million. However, the state aid payment was replaced with a like amount of federal funds. The Town's general fund budget was not adjusted for the late reduction in state funding; rather, eligible expenditures were transferred from the general fund to the state fiscal stabilization grant fund where an equal amount of federal revenues were also recorded.

The internal service fund had an ending fund balance of approximately \$2.1 million. Claim payments exceeded contributions to the fund by approximately \$311.

### ***General Fund Budgetary Highlights***

During the year there was an approximate (\$1.1) decrease in appropriations between the original and final amended budget. This was the result of poor revenue collections and the fact that the Town had no certified free cash to supplement the fiscal year 2009.

As previously discussed, the Town's general fund budget was not adjusted for the Chapter 70 reduction that was funded with state fiscal stabilization funds. Instead, eligible expenditures were transferred from the general fund to the state fiscal stabilization grant fund where the revenues were also recorded. As a result, both the general fund revenues and expenditures were under budgeted, resulting in a variance in intergovernmental revenues and in education expenditures.

## 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, 2009 amounts to \$144,233,365 (net of depreciation). This investment in capital assets includes land, buildings, improvements to land and buildings, machinery and equipment, vehicles, and infrastructure.

The total decrease in the Town of Wareham's investment in capital assets for the current year was \$2,494,007 including a decrease of \$1,745,890 for governmental activities and a decrease of \$748,117 in the business-type activities. These decreases are due to current year depreciation exceeding current year additions, as well as some asset disposals.

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

ASSETS	Governmental activities		Business-type activities	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land.....	\$ 4,181,889	\$ 3,781,889	\$ 4,842,708	\$ 4,842,708
Construction in progress.....	-	-	2,183,640	1,261,060
Buildings.....	40,813,742	41,800,357	26,360,648	26,960,287
Land Improvements.....	3,393,761	3,609,473	-	-
Machinery and equipment.....	1,657,362	1,868,278	4,955,875	5,384,931
Infrastructure.....	<u>29,539,407</u>	<u>30,272,054</u>	<u>26,304,333</u>	<u>26,946,335</u>
<b>Total assets</b>	<b>\$ <u>79,586,161</u></b>	<b>\$ <u>81,332,051</u></b>	<b>\$ <u>64,647,204</u></b>	<b>\$ <u>65,395,321</u></b>

### Debt Administration

At the end of the current fiscal year, the Town of Wareham had total debt outstanding of \$40,843,570. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the government. Of this amount \$1,200,000 is in short term notes, and the remaining \$39,643,570 is in outstanding long-term bonds. During fiscal 2009, the Town retired long-term debt of \$5,813,015.

The Town has authorized but unissued debt of \$24,813,453.

The Town has a "A3" rating from Moody's for issuing general obligation debt.

The Town of Wareham issued \$1,200,000 in bond anticipation notes to finance the following:

Architectural & Structural Survey....	\$ 50,000
School renovation.....	250,000
Sewer.....	<u>900,000</u>
<b>Total.....</b>	<b>\$ <u>1,200,000</u></b>

Please refer to notes 4, 6, and 7 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 2010 budget were:

- Potential cuts in State aid
- Reduced local receipts as a result of the current and anticipated economic downturn

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

In 2009, the water pollution control EDU rates were decreased from \$6.50 to \$5.84, a decrease of 11%.

## ***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.

## ***Basic Financial Statements***

# STATEMENT OF NET ASSETS

JUNE 30, 2009

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 9,185,151	\$ 3,706,878	\$ 12,892,029
Investments.....	1,697,944	-	1,697,944
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	694,107	-	694,107
Tax liens.....	2,903,387	99,704	3,003,091
Motor vehicle excise taxes.....	542,341	-	542,341
User fees.....	-	1,000,929	1,000,929
Loans.....	73,774	-	73,774
Departmental and other.....	272,460	-	272,460
Special assessments.....	529,154	23,854	553,008
Intergovernmental.....	2,518,158	771,483	3,289,641
Tax foreclosures.....	636,330	-	636,330
Working capital deposit.....	80,500	-	80,500
Other assets.....	47,791	-	47,791
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	8,602,862	8,602,862
Special assessments.....	-	8,883,132	8,883,132
Loans.....	1,662,810	-	1,662,810
Capital assets, non-depreciable.....	4,181,889	7,026,348	11,208,237
Capital assets, depreciable.....	75,404,272	57,620,856	133,025,128
<b>TOTAL ASSETS.....</b>	<b>100,430,068</b>	<b>87,736,046</b>	<b>188,166,114</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	1,904,149	997,899	2,902,048
Accrued payroll.....	170,950	5,197	176,147
Health claims payable.....	862,000	-	862,000
Accrued interest.....	50,419	492,197	542,616
Payroll withholdings.....	204,979	-	204,979
Abandoned property.....	19,366	-	19,366
Compensated absences.....	163,800	10,900	174,700
Bonds and notes payable.....	1,231,999	3,495,439	4,727,438
<b>NONCURRENT:</b>			
Compensated absences.....	1,473,709	98,100	1,571,809
Other postemployment benefits.....	4,651,000	110,000	4,761,000
Bonds and notes payable.....	4,410,714	31,705,418	36,116,132
<b>TOTAL LIABILITIES.....</b>	<b>15,143,085</b>	<b>36,915,150</b>	<b>52,058,235</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	75,260,469	35,924,625	111,185,094
Restricted for:			
Streets.....	1,352,888	-	1,352,888
Community preservation.....	1,320,383	-	1,320,383
Permanent funds:			
Expendable.....	305,980	-	305,980
Nonexpendable.....	332,016	-	332,016
Grants and gifts.....	1,016,290	-	1,016,290
Unrestricted.....	5,698,957	14,896,271	20,595,228
<b>TOTAL NET ASSETS.....</b>	<b>\$ 85,286,983</b>	<b>\$ 50,820,896</b>	<b>\$ 136,107,879</b>

See notes to basic financial statements.

# STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2009

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
<b>Primary Government:</b>						
<i>Governmental Activities:</i>						
General government.....	\$ 7,381,762	\$ 1,450,453	\$ 503,015	\$ 25,391	\$ (5,402,903)	
Public safety.....	9,537,754	877,031	191,234	-	(8,469,489)	
Education.....	44,965,340	2,297,533	21,379,048	307,801	(20,980,958)	
Public works.....	3,933,762	379,149	204,773	2,028,966	(1,320,874)	
Human services.....	903,321	157,986	170,321	-	(575,014)	
Community preservation.....	51,937	-	-	441,953	390,016	
Culture and recreation.....	932,381	362,657	15,948	-	(553,776)	
Interest.....	191,305	-	6,581	-	(184,724)	
Total Governmental Activities.....	67,897,562	5,524,809	22,470,920	2,804,111	(37,097,722)	
<i>Business-Type Activities:</i>						
Water Pollution Control Facility.....	5,829,924	5,298,879	704,959	-	173,914	
Total Primary Government.....	\$ 73,727,486	\$ 10,823,688	\$ 23,175,879	\$ 2,804,111	\$ (36,923,808)	

See notes to basic financial statements.

(Continued)



# STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue from previous page.....	\$ <b>(37,097,722)</b>	\$ <b>173,914</b>	\$ <b>(36,923,808)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	27,651,238	-	27,651,238
Tax liens.....	602,552	-	602,552
Motor vehicle and other excise taxes.....	2,122,862	-	2,122,862
Penalties and interest on taxes.....	229,408	-	229,408
Community preservation surtax.....	575,136	-	575,136
Grants and contributions not restricted to specific programs.....	2,834,994	-	2,834,994
Unrestricted investment income.....	157,125	36,919	194,044
Miscellaneous.....	213,742	-	213,742
<i>Transfers, net</i> .....	849,535	(849,535)	-
Total general revenues and transfers.....	35,236,592	(812,616)	34,423,976
Change in net assets.....	(1,861,130)	(638,702)	(2,499,832)
<i>Net Assets:</i>			
Beginning of year (as restated).....	87,148,113	51,459,598	138,607,711
End of year.....	\$ <u>85,286,983</u>	\$ <u>50,820,896</u>	\$ <u>136,107,879</u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2009

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 2,724,550	\$ 4,004,368	\$ 6,728,918
Investments.....	-	1,007,570	1,007,570
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	694,107	-	694,107
Tax liens.....	2,903,387	-	2,903,387
Motor vehicle excise taxes.....	542,341	-	542,341
Departmental and other.....	17,058	255,402	272,460
Special assessments.....	529,154	-	529,154
Intergovernmental.....	1,165,270	1,352,888	2,518,158
Loans.....	-	1,736,584	1,736,584
Tax foreclosures.....	636,330	-	636,330
<b>TOTAL ASSETS.....</b>	<b>\$ 9,212,197</b>	<b>\$ 8,356,812</b>	<b>\$ 17,569,009</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Warrants payable.....	\$ 1,496,375	\$ 332,856	\$ 1,829,231
Accrued payroll.....	141,816	29,134	170,950
Abandoned property.....	19,366	-	19,366
Deferred revenues.....	6,346,642	3,344,868	9,691,510
Notes payable.....	-	300,000	300,000
<b>TOTAL LIABILITIES.....</b>	<b>8,004,199</b>	<b>4,006,858</b>	<b>12,011,057</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances and continuing appropriations.....	305,225	-	305,225
Perpetual permanent funds.....	-	332,016	332,016
Unreserved:			
Undesignated, reported in:			
General fund.....	902,773	-	902,773
Special revenue funds.....	-	3,560,207	3,560,207
Capital projects funds.....	-	151,751	151,751
Permanent funds.....	-	305,980	305,980
<b>TOTAL FUND BALANCES.....</b>	<b>1,207,998</b>	<b>4,349,954</b>	<b>5,557,952</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 9,212,197</b>	<b>\$ 8,356,812</b>	<b>\$ 17,569,009</b>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

Total governmental fund balances.....	\$ 5,557,952
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	79,586,161
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....	9,691,511
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities.	
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....	2,133,000
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(50,419)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds and notes payable.....	(5,342,713)
Other postemployment benefits payable.....	(4,651,000)
Compensated absences.....	(1,637,509)
Net effect of reporting long-term liabilities.....	<u>(11,631,222)</u>
Net assets of governmental activities.....	<u>\$ 85,286,983</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

	General	State Fiscal Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ 27,823,336	\$ -	\$ -	\$ 27,823,336
Community preservation surtax.....	-	-	575,136	575,136
Motor vehicle and other excise taxes.....	2,187,838	-	33,522	2,221,360
Charges for services.....	889,810	-	-	889,810
Penalties and interest on taxes.....	229,408	-	-	229,408
Fees and rentals.....	-	-	1,481,813	1,481,813
Licenses and permits.....	703,102	-	-	703,102
Fines and forfeitures.....	45,379	-	-	45,379
Intergovernmental.....	20,896,572	1,313,698	6,535,910	28,746,180
Departmental and other.....	3,057	-	1,181,453	1,184,510
Contributions.....	-	-	475,481	475,481
Investment income (loss).....	141,466	-	14,144	155,610
Miscellaneous.....	213,742	-	-	213,742
<b>TOTAL REVENUES.....</b>	<b>53,133,710</b>	<b>1,313,698</b>	<b>10,297,459</b>	<b>64,744,867</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	2,962,763	-	981,669	3,944,432
Public safety.....	4,567,953	-	846,756	5,414,709
Education.....	25,515,364	1,313,698	5,800,621	32,629,683
Public works.....	1,745,491	-	582,616	2,328,107
Human services.....	525,417	-	439	525,856
Community preservation.....	-	-	358,127	358,127
Culture and recreation.....	338,317	-	213,635	551,952
Pension benefits.....	7,434,866	-	-	7,434,866
Employee benefits.....	5,672,410	-	-	5,672,410
State and county charges.....	2,041,152	-	-	2,041,152
Debt service:				
Principal.....	2,486,998	-	75,000	2,561,998
Interest.....	242,889	-	45,551	288,440
<b>TOTAL EXPENDITURES.....</b>	<b>53,533,620</b>	<b>1,313,698</b>	<b>8,904,414</b>	<b>63,751,732</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(399,910)</b>	<b>-</b>	<b>1,393,045</b>	<b>993,135</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	1,372,915	-	-	1,372,915
Transfers out.....	-	-	(523,380)	(523,380)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>1,372,915</b>	<b>-</b>	<b>(523,380)</b>	<b>849,535</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>973,005</b>	<b>-</b>	<b>869,665</b>	<b>1,842,670</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>234,993</b>	<b>-</b>	<b>3,480,289</b>	<b>3,715,282</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 1,207,998</b>	<b>\$ -</b>	<b>\$ 4,349,954</b>	<b>\$ 5,557,952</b>

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, 2009

Net change in fund balances - total governmental funds.....	\$ 1,842,670
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay.....	1,273,220
Depreciation expense.....	<u>(3,019,110)</u>
Net effect of reporting capital assets.....	(1,745,890)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>	
	391,997
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>	
Debt service principal payments.....	<u>2,561,998</u>
Net effect of reporting long-term debt.....	2,561,998
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Net change in compensated absences accrual.....	(176,050)
Net change in accrued interest on long-term debt.....	97,135
Net change in capital lease accrual.....	127,211
Net change in other postemployment benefits.....	<u>(4,651,000)</u>
Net effect of recording long-term liabilities and amortizing deferred losses.....	(4,602,704)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>	
The net activity of internal service funds is reported with Governmental Activities.....	<u>(309,201)</u>
Change in net assets of governmental activities.....	<u>\$ (1,861,130)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**

JUNE 30, 2009

	Business-type Activities	Governmental Activities - Internal Service Funds
	Water Pollution Control Facility	
<b>ASSETS</b>		
<b>CURRENT:</b>		
Cash and cash equivalents.....	\$ 3,706,878	\$ 2,456,233
Investments.....	-	690,374
Receivables, net of allowance for uncollectibles:		
User fees.....	1,000,929	-
Sewer liens.....	99,704	-
Departmental and other.....	-	47,791
Special assessments.....	23,854	-
Intergovernmental.....	771,483	-
Working capital deposit.....	-	80,500
Total current assets.....	<u>5,602,848</u>	<u>3,274,898</u>
<b>NONCURRENT:</b>		
Receivables, net of allowance for uncollectibles:		
Intergovernmental.....	8,602,862	-
Special assessments.....	8,883,132	-
Capital assets, non depreciable.....	7,026,348	-
Capital assets, depreciable.....	<u>57,620,856</u>	<u>-</u>
Total noncurrent assets.....	<u>82,133,198</u>	<u>-</u>
<b>TOTAL ASSETS.....</b>	<b>\$ <u>87,736,046</u></b>	<b>\$ <u>3,274,898</u></b>
<b>LIABILITIES</b>		
<b>CURRENT:</b>		
Warrants payable.....	\$ 997,899	\$ -
Accrued payroll.....	5,197	-
Accrued interest.....	492,197	-
Payroll withholdings.....	-	279,898
Compensated absences.....	10,900	-
Bonds and notes payable.....	<u>3,495,439</u>	<u>-</u>
Total current liabilities.....	<u>5,001,632</u>	<u>279,898</u>
<b>NONCURRENT:</b>		
Compensated absences.....	98,100	-
Other liabilities.....	-	862,000
Other postemployment benefits.....	110,000	-
Bonds and notes payable.....	<u>31,705,418</u>	<u>-</u>
Total noncurrent liabilities.....	<u>31,913,518</u>	<u>862,000</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>36,915,150</u></b>	<b><u>1,141,898</u></b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt.....	35,924,625	-
Unrestricted.....	<u>14,896,271</u>	<u>2,133,000</u>
<b>TOTAL NET ASSETS.....</b>	<b>\$ <u>50,820,896</u></b>	<b>\$ <u>2,133,000</u></b>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities	Governmental Activities - Internal Service Funds
	Water Pollution Control Facility	
<b><u>OPERATING REVENUES:</u></b>		
Employee contributions.....	\$ -	\$ 1,899,355
Employer contributions.....	-	5,208,435
Charges for services.....	4,997,123	-
Other.....	40,430	-
<b>TOTAL OPERATING REVENUES .....</b>	<b>5,037,553</b>	<b>7,107,790</b>
<b><u>OPERATING EXPENSES:</u></b>		
Cost of services and administration.....	2,334,522	-
Depreciation.....	2,043,856	-
Employee benefits .....	-	7,418,506
<b>TOTAL OPERATING EXPENSES .....</b>	<b>4,378,378</b>	<b>7,418,506</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>659,175</b>	<b>(310,716)</b>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>		
Investment income.....	36,919	1,515
Interest expense.....	(1,451,546)	-
Intergovernmental.....	704,959	-
Betterments and interest on betterments.....	261,326	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(448,342)</b>	<b>1,515</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS.....</b>	<b>210,833</b>	<b>(309,201)</b>
<b><u>TRANSFERS:</u></b>		
Transfers out.....	(849,535)	-
<b>CHANGE IN NET ASSETS.....</b>	<b>(638,702)</b>	<b>(309,201)</b>
<b>NET ASSETS AT BEGINNING OF YEAR (as restated).....</b>	<b>51,459,598</b>	<b>2,442,201</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 50,820,896</b>	<b>\$ 2,133,000</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities Water Pollution Control Facility	Governmental Activities - Internal Service Funds
<u><b>CASH FLOWS FROM OPERATING ACTIVITIES:</b></u>		
Receipts from customers and users.....	\$ 5,144,559	\$ -
Receipts from interfund services provided.....	-	7,107,790
Payments to vendors.....	(1,570,203)	-
Payments to employees.....	(652,958)	-
Payments for interfund services used.....	-	(6,719,017)
NET CASH FROM OPERATING ACTIVITIES.....	<u>2,921,398</u>	<u>388,773</u>
<u><b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b></u>		
Transfers out.....	<u>(849,535)</u>	<u>-</u>
<u><b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b></u>		
Proceeds from the issuance of bonds and notes.....	900,000	-
Acquisition and construction of capital assets.....	(385,815)	-
Principal payments on bonds and notes.....	(2,528,851)	-
Betterments and interest on betterments.....	1,090,492	-
Interest expense.....	(777,013)	-
Intergovernmental.....	<u>119,572</u>	<u>-</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(1,581,615)</u>	<u>-</u>
<u><b>CASH FLOWS FROM INVESTING ACTIVITIES:</b></u>		
Purchase of investments.....	-	(690,374)
Investment income.....	<u>36,919</u>	<u>1,515</u>
NET CASH FROM INVESTING ACTIVITIES.....	<u>36,919</u>	<u>(688,859)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	527,167	(300,086)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>3,179,711</u>	<u>2,756,319</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 3,706,878</u>	<u>\$ 2,456,233</u>
<u><b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b></u>		
Operating income (loss).....	\$ 659,175	\$ (310,716)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation.....	2,043,856	-
Changes in assets and liabilities:		
Tax liens.....	730	-
User fees.....	106,276	-
Departmental and other.....	-	249,420
Other postemployment benefits obligation.....	110,000	-
Warrants payable.....	(29,588)	-
Accrued payroll.....	(9,221)	-
Health claims payable.....	-	435,289
Payroll withholdings.....	-	14,780
Accrued compensated absences.....	<u>40,170</u>	<u>-</u>
Total adjustments.....	<u>2,262,223</u>	<u>699,489</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 2,921,398</u>	<u>\$ 388,773</u>
<u><b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b></u>		
Principal and interest intergovernmental subsidies.....	\$ 1,286,285	\$ -

See notes to basic financial statements.



**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**

JUNE 30, 2009

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
CURRENT:		
Cash and cash equivalents.....	\$ 249,148	\$ 785,597
Investments.....	340,860	-
	<u>590,008</u>	<u>785,597</u>
TOTAL ASSETS.....		
	<u>590,008</u>	<u>785,597</u>
<b>LIABILITIES</b>		
Warrants payable.....	-	40,264
Accrued liabilities.....	-	3,829
Liabilities due depositors.....	-	741,504
	<u>-</u>	<u>785,597</u>
TOTAL LIABILITIES.....		
	<u>-</u>	<u>785,597</u>
<b>NET ASSETS</b>		
Held in trust for other purposes.....	\$ <u>590,008</u>	\$ <u>-</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

FISCAL YEAR ENDED JUNE 30, 2009

	Private Purpose Trust Funds
<u>ADDITIONS:</u>	
Investment income (loss).....	\$ (43,203)
<u>DEDUCTIONS:</u>	
Educational scholarships.....	500
CHANGE IN NET ASSETS.....	(43,703)
NET ASSETS AT BEGINNING OF YEAR.....	633,711
NET ASSETS AT END OF YEAR.....	\$ 590,008

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 2009 assessment totaled \$1,820,638. The District's financial statements are audited by another independent accounting firm on an annual basis and are not reviewed by the Town's independent auditors. Financial statements are available at Upper Cape Cod Regional Technical School, which is located at 220 Sandwich Road, Bourne, MA 02532.

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

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units.

*Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

***Fund Financial Statements***

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

*Major Fund Criteria*

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

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

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

Internal service funds and fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

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

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

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

*Fund Financial Statements*

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

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

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

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

The following major governmental funds are reported:

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

The *State Fiscal Stabilization Fund* is used to account for the funds received through the Federal American Recovery and Reinvestment Act.

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

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

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

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

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

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

The following major proprietary funds are reported:

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

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

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

The following fiduciary fund types are reported:

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

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

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

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

#### D. Cash and Investments

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

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

#### E. Accounts Receivable

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

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

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

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

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

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

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

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

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

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

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

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

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

### ***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
Machinery and equipment.....	\$ 25,000
Infrastructure.....	\$ 500,000

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

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

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



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

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

#### *Governmental Fund Financial Statements*

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

#### H. Interfund Receivables and Payables

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

#### *Government-Wide Financial Statements*

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

#### *Fund Financial Statements*

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

#### I. Interfund Transfers

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

#### *Government-Wide Financial Statements*

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

#### *Fund Financial Statements*

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

## J. Deferred Revenue

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

## K. Net Assets and Fund Equity

### *Government-Wide Financial Statements (Net Assets)*

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

Net assets have been “restricted for” the following:

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

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

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

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

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

### *Fund Financial Statements (Fund Balances)*

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Perpetual permanent funds” represents amounts held in trust for which only investment earnings may be expended.

L. Long-term debt*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

M. Investment Income

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

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

N. Compensated Absences

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

*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

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

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

P. Individual Fund Deficits

There are several individual fund deficits within the Special Revenue Fund. These deficits will be funded through grants and available fund balance in future fiscal years.

Q. Total Column*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

R. Restatements

Beginning net assets of the governmental activities have been restated to reflect changes in the recognition of termination benefits and adjustments related to the health insurance trust fund audit. As a result, beginning net assets increased by \$1,485,328.

Beginning net assets of the internal service fund have been restated to reflect corrections posted due to an audit of the health insurance trust fund. As a result, beginning net assets of the internal service fund have decreased by \$50,547.

**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 \$12,441,631 and the bank balance totaled \$13,187,079. Of the bank balance, \$1,716,938 was covered by Federal Depository Insurance, \$9,020,293 was collateralized and \$2,449,848 was exposed to custodial credit risk because it 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 not in compliance with this requirement.

Investments

Listed below are the investments of the Town as of June 30, 2009.

Investment Type	Maturity				Quality Rating
	<u>Fair Value</u>	<u>Under 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	
<u>Debt Securities</u>					
Federal Home Loan Banks.....	\$ 950,596	\$ 25,695	\$ 744,652	\$ 180,249	AAA
Federal National Mortgage Association.....	806,711	-	698,836	107,875	AAA
Federal Farm Credit Bank.....	38,532	-	38,532	-	AAA
Federal Home Loan Mortgage Corp.....	206,188	-	-	206,188	AAA
Municipal Bonds.....	<u>36,777</u>	<u>-</u>	<u>36,777</u>	<u>-</u>	AA
Total Debt Securities.....	2,038,804	<u>\$ 25,695</u>	<u>\$ 1,518,797</u>	<u>\$ 494,312</u>	
<u>Other Investments</u>					
Money Market Mutual Funds.....	<u>1,485,143</u>				
Total Investments.....	<u>\$ 3,523,947</u>				

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. Of the Town's investments in Government Sponsored Enterprises, and Municipal Bonds, as detailed above, the Town has a custodial credit risk exposure of \$2,038,804 because the related securities are uninsured, unregistered and held by the counterparty. The Town's investment policy limits the types of investments and issuers the Treasurer is authorized to invest in.

Interest Rate Risk

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

Credit Risk

The Town has not adopted an investment policy that addresses credit risk. The Town's investments in \$2,002,027 of government sponsored enterprise securities and \$36,777 of municipal bonds were rated AAA and AA, respectfully.

Concentration of Credit Risk

The Town's investment policy states that the Treasurer should diversify the Town's investments as to not over concentrate in a particular institution with the exception of investments US Treasury Securities and MMDT.

**NOTE 3 – RECEIVABLES**

At June 30, 2009, 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.....	\$ 715,107	\$ (21,000)	\$ 694,107
Tax liens.....	2,903,387	-	2,903,387
Motor vehicle and other excise taxes.....	610,372	(68,031)	542,341
Loans.....	2,170,584	(434,000)	1,736,584
Departmental and other.....	432,460	(160,000)	272,460
Special assessments.....	529,154	-	529,154
Intergovernmental.....	2,518,158	-	2,518,158
	<u>\$ 9,879,222</u>	<u>\$ (683,031)</u>	<u>\$ 9,196,191</u>

At June 30, 2009, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User fees.....	\$ 1,000,929	\$ -	\$ 1,000,929
Tax liens.....	99,704	-	99,704
Special assessments.....	8,906,986	-	8,906,986
Intergovernmental.....	9,374,345	-	9,374,345
	<u>\$ 19,381,964</u>	<u>\$ -</u>	<u>\$ 19,381,964</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....	\$ 553,096	\$ -	\$ 553,096
Tax liens.....	2,903,387	-	2,903,387
Motor vehicle and other excise.....	542,341	-	542,341
Special assessments.....	529,154	-	529,154
Intergovernmental.....	1,165,271	1,352,887	2,518,158
Loans.....	-	1,736,584	1,736,584
Departmental and other.....	17,063	255,397	272,460
Tax foreclosures.....	636,330	-	636,330
	<u>\$ 6,346,642</u>	<u>\$ 3,344,868</u>	<u>\$ 9,691,510</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,781,889	\$ 400,000	\$ -	\$ 4,181,889
<u>Capital assets being depreciated:</u>				
Buildings.....	67,719,046	232,740	-	67,951,786
Land improvements.....	4,338,491	-	-	4,338,491
Machinery and equipment.....	7,514,512	243,432	-	7,757,944
Infrastructure.....	48,146,827	397,048	-	48,543,875
Total capital assets being depreciated.....	127,718,876	873,220	-	128,592,096
<u>Less accumulated depreciation for:</u>				
Buildings.....	(25,918,689)	(1,219,355)	-	(27,138,044)
Land improvements.....	(729,018)	(215,712)	-	(944,730)
Machinery and equipment.....	(5,646,234)	(454,348)	-	(6,100,582)
Infrastructure.....	(17,874,773)	(1,129,695)	-	(19,004,468)
Total accumulated depreciation.....	(50,168,714)	(3,019,110)	-	(53,187,824)
Total capital assets being depreciated, net.....	77,550,162	(2,145,890)	-	75,404,272
Total governmental activities capital assets, net.....	\$ 81,332,051	\$ (1,745,890)	\$ -	\$ 79,586,161

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,842,708	\$ -	\$ -	\$ 4,842,708
Construction in progress.....	1,261,060	1,295,739	(373,159)	2,183,640
Total capital assets not being depreciated.....	6,103,768	1,295,739	(373,159)	7,026,348
<u>Capital assets being depreciated:</u>				
Buildings.....	29,998,148	-	-	29,998,148
Machinery and equipment.....	14,119,043	-	-	14,119,043
Infrastructure.....	41,141,078	373,159	-	41,514,237
Total capital assets being depreciated.....	85,258,269	373,159	-	85,631,428
<u>Less accumulated depreciation for:</u>				
Buildings.....	(3,037,861)	(599,639)	-	(3,637,500)
Machinery and equipment.....	(8,734,112)	(429,056)	-	(9,163,168)
Infrastructure.....	(14,194,743)	(1,015,161)	-	(15,209,904)
Total accumulated depreciation.....	(25,966,716)	(2,043,856)	-	(28,010,572)
Total capital assets being depreciated, net.....	59,291,553	(1,670,697)	-	57,620,856
Total business-type activities capital assets, net.....	\$ 65,395,321	\$ (374,958)	\$ (373,159)	\$ 64,647,204

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

**Governmental Activities:**

General government.....	\$ 149,722
Public safety.....	134,200
Education.....	1,323,847
Public works.....	1,257,858
Human services.....	55,904
Culture and recreation.....	97,579

Total depreciation expense - governmental activities..... \$ 3,019,110

**Business-Type Activities:**

Water Pollution Control Facility.....	\$ <u>2,043,856</u>
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**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2009, are summarized as follows:

<u>Transfers In:</u>	
<u>Transfers Out:</u>	<u>General Fund</u>
Nonmajor Governmental Funds.....\$	523,380
Water Pollution Control Facility.....	849,535
	<u>\$ 1,372,915</u>

Transfers represent amounts voted to fund the fiscal year 2009 operating budget.

**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 2009:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2008	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2009
Governmental Funds:							
BAN	Architectural & Structural Survey.....	1.60%	12/18/09	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
BAN	Middle School Renovation.....	1.60%	12/18/09	250,000	250,000	250,000	250,000
	Sub-total governmental notes.....			300,000	300,000	300,000	300,000
Enterprise Funds:							
BAN	Sewer.....	1.80%	06/19/10	500,000	900,000	500,000	900,000
	Total notes payable.....			\$ 800,000	\$ 1,200,000	\$ 800,000	\$ 1,200,000

Subsequent to June 30, 2009, the Town paid down the middle school renovation BAN with MSBA grant funds received in FY2010. The Community Preservation BAN was renewed at an interest rate of 1.5% and matures on July 8, 2010.

## NOTE 7 - 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, 2009, and the debt service requirements follow.

### Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
Public Library Construction.....	6.8%	\$ 125,000	\$ -	\$ 70,000	\$ 55,000
School Project Refunding.....	4.8%	1,615,000	-	1,615,000	-
Building Remodeling.....	4.7%	27,000	-	4,000	23,000
Building Remodeling.....	4.7%	28,000	-	4,000	24,000
Building Remodeling - Senior Citizen.	4.8%	209,000	-	24,000	185,000
Building Remodeling - School.....	4.8%	171,000	-	19,000	152,000
Building Remodeling - School.....	4.8%	234,000	-	26,000	208,000
Building Remodeling - School.....	4.7%	84,000	-	14,000	70,000
Building Renovation - Middle School.	3.6%	900,000	-	300,000	600,000
Building Remodeling - EMS.....	4.2%	320,000	-	30,000	290,000
Building Remodeling.....	3.6%	85,000	-	15,000	70,000
Building Remodeling II.....	3.6%	105,000	-	15,000	90,000
Dredging - River.....	3.4%	30,000	-	10,000	20,000
Dredging - River 2.....	3.4%	20,000	-	10,000	10,000
Open Space.....	4.1%	110,000	-	10,000	100,000
School Bus Garage.....	4.1%	90,000	-	10,000	80,000
Surface Drain.....	4.7%	19,000	-	4,000	15,000
Storm Drains.....	3.6%	20,000	-	5,000	15,000
Town Hall Repairs.....	4.3%	195,000	-	15,000	180,000
School Roof.....	4.3%	130,000	-	10,000	120,000
Multi-purpose.....	3.8%	2,695,000	-	295,000	2,400,000
MWPAT Title V 97-1019.....	4.4%	119,572	-	10,872	108,700
MWPAT Title V 97-1019 - 1.....	4.4%	136,464	-	10,601	125,863
MWPAT Title V 97-1019 - 2.....	4.6%	156,675	-	9,525	147,150
MWPAT Title V 97-1019 - 3C.....	0.0%	200,000	-	10,000	190,000
State House Notes.....	6.5%	80,000	-	16,000	64,000
Total.....		\$ 7,904,711	\$ -	\$ 2,561,998	\$ 5,342,713

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....	\$ 931,999	\$ 311,993	\$ 1,243,992
2011.....	871,999	177,088	1,049,087
2012.....	541,999	177,088	719,087
2013.....	525,563	140,724	666,287
2014.....	440,750	128,470	569,220
2015.....	420,746	97,235	517,981
2016.....	277,221	79,269	356,490
2017.....	277,221	56,095	333,316
2018.....	206,221	50,416	256,637
2019.....	206,221	40,150	246,371
2020.....	186,387	31,542	217,929
2021.....	156,386	23,145	179,531
2022.....	120,000	16,629	136,629
2023.....	120,000	10,604	130,604
2024.....	15,000	5,285	20,285
2025.....	15,000	375	15,375
2026.....	10,000	125	10,125
2027.....	10,000	-	10,000
2028.....	10,000	-	10,000
Total.....	\$ <u>5,342,713</u>	\$ <u>1,346,233</u>	\$ <u>6,688,946</u>

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

Project	Interest Rate (%)	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
Sewer Riverside.....	4.3%	\$ 120,000	\$ -	\$ 10,000	\$ 110,000
Sewer Sunset Island.....	4.3%	175,000	-	15,000	160,000
Sewer Thatcher.....	4.4%	860,000	-	60,000	800,000
Engineering- Water Pollution.....	4.4%	940,000	-	70,000	870,000
Sewer Design & Construction.....	4.8%	1,043,000	-	105,000	938,000
Sewer Design & Construction.....	6.0%	187,274	-	15,607	171,667
Sewer Design & Construction.....	6.0%	84,090	-	28,030	56,060
Sewer Design & Construction.....	5.9%	38,000	-	9,500	28,500
Sewer Planning.....	3.9%	495,000	-	35,000	460,000
Sewer Weweatic.....	3.9%	2,965,000	-	170,000	2,795,000
Sewer Pump Station.....	3.8%	720,000	-	40,000	680,000
Sewer Pump Station.....	3.6%	455,000	-	45,000	410,000
Sewer Planning.....	3.6%	375,000	-	125,000	250,000
MWPAT Construction 95-31.....	4.2%	22,700	-	22,700	-
MWPAT Construction 91-18-A.....	0.0%	2,700,996	-	461,468	2,239,528
MWPAT Construction 96-15.....	5.4%	908,709	-	89,854	818,855
MWPAT Construction 91-18.....	5.4%	872,203	-	86,245	785,958
MWPAT Construction CW-01-41.....	5.0%	7,623,792	-	409,838	7,213,954
MWPAT Construction CW-02-49.....	5.0%	10,362,911	-	516,518	9,846,393
MWPAT Construction CW-02-49A....	0.0%	768,559	-	79,923	688,636
MWPAT Construction CW-05-10.....	2.0%	5,834,640	-	856,334	4,978,306
Total.....		\$ 37,551,874	\$ -	\$ 3,251,017	\$ 34,300,857

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

<u>Fiscal Year</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2010.....	\$ 2,595,439	\$ 1,256,360	\$ 3,851,799
2011.....	2,637,741	1,163,358	3,801,099
2012.....	2,603,766	1,071,511	3,675,277
2013.....	2,628,178	982,253	3,610,431
2014.....	2,420,163	854,143	3,274,306
2015.....	2,191,375	753,822	2,945,197
2016.....	2,161,979	655,570	2,817,549
2017.....	2,203,886	551,924	2,755,810
2018.....	2,013,215	460,434	2,473,649
2019.....	1,953,718	396,473	2,350,191
2020.....	1,994,332	296,462	2,290,794
2021.....	2,029,452	223,279	2,252,731
2022.....	2,070,294	149,077	2,219,371
2023.....	1,976,254	60,195	2,036,449
2024.....	1,347,335	32,660	1,379,995
2025.....	551,538	21,590	573,128
2026.....	557,868	10,457	568,325
2027.....	364,324	3,259	367,583
Total.....	\$ <u>34,300,857</u>	\$ <u>8,942,827</u>	\$ <u>43,243,684</u>

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2009, approximately \$1,171,856 of such assistance was received. The final payment of \$1,171,856 will be received in FY2010. Of this amount, \$6,586 represents reimbursement of long-term interest costs, and \$1,165,270 represents reimbursement of approved construction costs. Accordingly, a \$1,165,270 intergovernmental receivable and corresponding deferred revenue have been reported in governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

The Town received the final reimbursement from the MSBA for the Middle School Project during FY2009 of \$308,000 which will be used in FY2010 to retire the remaining \$250,000 BAN related to the project.

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 \$6,478,000 and interest costs for \$6,027,000. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$21,229,000. The principal subsidies are guaranteed and therefore a \$6,478,000 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 2009 principal and interest subsidies totaled \$581,000 and \$760,000 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, 2009, the Town had the following authorized and unissued debt:

Purpose	Amount
Upgrade Water Pollution Control CW-02-49.....	\$ 355,624
Middle School Renovation.....	12,631
Sewer - Weweantic Shores.....	200,000
Sewer CW-05-10.....	1,000,800
Land Acquisition.....	65,184
Highways.....	2,100,000
Sewer Planning.....	500,000
Water Pollution Control CW-07-37.....	18,657,000
Water Pollution Control Other.....	1,343,000
Town Hall Roof Restoration.....	179,214
Perpetual Conservation Restriction.....	400,000
Total.....	<u>\$ 24,813,453</u>

### Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2009, the following changes occurred in long-term liabilities:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Current Portion
<b>Governmental Activities:</b>					
Long-Term Bonds and Notes.....	\$ 7,904,711	\$ -	\$ (2,561,998)	\$ 5,342,713	\$ 931,999
Other Postemployment Benefits.....	-	7,443,000	(2,792,000)	4,651,000	-
Compensated Absences.....	1,461,459	501,050	(325,000)	1,637,509	163,800
Capital Leases.....	127,211	-	(127,211)	-	-
Total.....	<u>\$ 9,493,381</u>	<u>\$ 7,944,050</u>	<u>\$ (5,806,209)</u>	<u>\$ 11,631,222</u>	<u>\$ 1,095,799</u>
<b>Business-Type Activities:</b>					
Long-Term Bonds and Notes.....	\$ 37,551,874	\$ -	\$ (3,251,017)	\$ 34,300,857	\$ 2,595,439
Other Postemployment Benefits.....	-	176,000	(66,000)	110,000	-
Compensated Absences.....	68,830	47,170	(7,000)	109,000	10,900
Total.....	<u>\$ 37,620,704</u>	<u>\$ 223,170</u>	<u>\$ (3,324,017)</u>	<u>\$ 34,519,857</u>	<u>\$ 2,606,339</u>

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

### **NOTE 8 – RISK FINANCING**

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

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

#### *Health Insurance*

The Town estimates its' Incurred But Not Reported (IBNR) claims based on an approximate one and a half months average health claims and one month average dental claims. The Town purchases individual stop loss insurance for claims in excess coverage provided by the Town in the amount of \$100,000. At June 30, 2009, the amount of the liability for health and dental insurance claims totaled \$862,000. This liability is the best estimate based on available information.

Changes in the reported liability since July 1, 2007, 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 2008.....	\$ 286,699	\$ 6,620,335	\$ (6,480,323)	\$ 426,711
Fiscal Year 2009.....	426,711	7,154,306	(6,719,017)	862,000

#### *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, 2009, this amount was immaterial and therefore not recorded.

### **NOTE 9 - PENSION PLAN**

*Plan Description* - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$5,188,000 for the fiscal year ended June 30, 2009, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures/expenses.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living

adjustments granted after 1997 must be approved by the Plymouth Contributory Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 10 Cordage Park, Suite 240, Plymouth, Massachusetts 02360.

*Funding Policy* - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32 of the MGL governs the contributions of plan members and the Town. The Town contributions to the System for the fiscal years ended June 30, 2009, 2008, and 2007 were \$2,220,143, \$2,142,811, and \$2,016,728, respectively, which equaled its required contribution for each fiscal year.

#### **NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Fiscal year 2009 is the initial year that the Town has implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45). As allowed by GASB 45, the Town has established the net Other Postemployment Benefits (OPEB) obligation at zero at the beginning of the transition year and has applied the measurement and recognition requirements of GASB 45 on a prospective basis.

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

*Funding Policy* – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 75 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25 percent of their premium costs. For fiscal year 2009, the Town contributed \$2.9 million to the plan, and member contributions totaled \$302,000.

*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:

Normal Cost.....	\$ 2,708,000
Amortization of unfunded actuarial accrued liability.....	<u>4,911,000</u>
Annual OPEB cost (expense).....	7,619,000
Contributions made.....	<u>(2,858,000)</u>
Increase/(Decrease) in net OPEB obligation.....	4,761,000
Net OPEB obligation - beginning of year.....	<u>-</u>
Net OPEB obligation - end of year.....	<u>\$ 4,761,000</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 7,619,000	38%	\$ 4,761,000

*Funded Status and Funding Progress* – As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$83.1 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$7.9 million, and the ratio of the UAAL to the covered payroll was 9.6%.

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, 2008, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 10% initially, graded to 5% over 5 years. The UAAL is being amortized using level dollar method over the maximum acceptable period of 30 years. The remaining amortization period at June 30, 2009 is 29 years.

#### **NOTE 11 - COMMITMENTS**

The Town has entered into, or is planning to enter into contracts totaling approximately \$25 million for water infrastructure upgrades, for various sewer projects, Town Hall repairs, Middle school renovation and land and highway improvement projects.

#### **NOTE 12 - 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, 2009, 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, 2009, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2009.

#### **NOTE 13 – FUTURE IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2009, the following GASB pronouncements were implemented:

- The GASB issued Statement #45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented in Fiscal 2009. This pronouncement has significantly impacted the basic financial statements. See Note 10 for discussion.
- The GASB issued Statement #51, *Accounting and Financial Reporting for Intangible Assets*, which is required to be implemented in fiscal year 2010. Management elected to early implement this statement. This pronouncement did not impact the basic financial statements.
- The GASB issued Statement #52, *Land and Other Real Estate Held as Investments by Endowments*, The standards in the statement require all investments in land and real estate in permanent and similar funds to be reported at fair value. This pronouncement did not impact the basic financial statements.
- The GASB issued Statement #53, *Accounting and Financial Reporting for Derivative Instruments*, which is required to be implemented in fiscal year 2010. The standards in this statement require all derivative investments to be reported at fair value. Management elected to early implement this statement. This pronouncement did not impact the basic financial statements.

- The GASB issued Statement #55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement did not impact the basic financial statements.
- The GASB issued Statement #56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This pronouncement did not impact the basic financial statements.
- The GASB issued Statement #57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which is required to be implemented in fiscal year 2012. Management elected to early implement this statement. This pronouncement did not impact the basic financial statements.
- The GASB issued Statement #58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which is required to be implemented in fiscal year 2010. Management elected to early implement this statement. This pronouncement did not impact the basic financial statements.

***Future GASB Pronouncements:***

- The GASB issued Statement #54, *Fund Balance Reporting and Government Fund Type Definitions*, which is required to be implemented in fiscal year 2011. Management believes this pronouncement will require additional disclosure and impact 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, 2009

	Budgeted Amounts		
	Amounts Carried forward From Prior Year	Original Budget	Final Budget
<b>REVENUES:</b>			
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 28,319,223	\$ 28,341,180
Motor vehicle and other excise taxes.....	-	2,251,667	2,269,225
Charges for services.....	-	827,017	767,272
Penalties and interest on taxes.....	-	295,256	295,256
Licenses and permits.....	-	884,043	884,043
Fines and forfeitures.....	-	36,747	36,747
Intergovernmental.....	-	17,147,191	17,124,289
Departmental and other.....	-	27,946	27,946
Investment income.....	-	239,566	239,566
Miscellaneous.....	-	191,444	101,065
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>50,220,100</b>	<b>50,086,589</b>
<b>EXPENDITURES:</b>			
Current:			
General government.....	61,536	3,336,841	3,109,238
Public safety.....	136,332	5,050,500	4,785,854
Education.....	-	27,155,901	27,155,901
Public works.....	30,990	1,357,294	1,431,380
Human services.....	6,134	561,385	551,403
Culture and recreation.....	-	512,110	322,825
Pension benefits.....	-	2,246,643	2,246,643
Employee benefits.....	-	6,867,493	6,448,129
State and county charges.....	-	2,221,627	2,095,298
Debt service:			
Principal.....	-	2,547,128	2,531,600
Interest.....	-	361,551	206,076
<b>TOTAL EXPENDITURES.....</b>	<b>234,992</b>	<b>52,218,473</b>	<b>50,884,347</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(234,992)</b>	<b>(1,998,373)</b>	<b>(797,758)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in.....	-	1,102,617	1,203,617
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(234,992)</b>	<b>(895,756)</b>	<b>405,859</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>-</b>	<b>250,273</b>	<b>250,273</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$(234,992)</b>	<b>\$(645,483)</b>	<b>\$656,132</b>

See notes to basic financial statements.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$ 27,823,336	\$ -	\$ (517,844)
2,187,838	-	(81,387)
889,810	-	122,538
229,408	-	(65,848)
703,102	-	(180,941)
45,379	-	8,632
15,693,292	-	(1,430,997)
3,057	-	(24,889)
141,466	-	(98,100)
213,742	-	112,677
47,930,430	-	(2,156,159)
2,962,763	2,676	143,799
4,567,953	-	217,901
25,515,364	296,323	1,344,214
1,745,491	-	(314,111)
525,417	6,226	19,760
338,317	-	(15,492)
2,246,866	-	(223)
5,672,410	-	775,719
2,041,152	-	54,146
2,486,998	-	44,602
242,889	-	(36,813)
48,345,620	305,225	2,233,502
(415,190)	(305,225)	77,343
1,372,915	-	169,298
957,725	(305,225)	246,641
250,273	-	-
\$ 1,207,998	\$ (305,225)	\$ 246,641

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

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

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



**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)
01/01/08	\$ 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, 2008, is approximately 5%.

**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%

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 and Employer Contributions compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets, and the annual required contribution with the actual contribution 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**

JUNE 30, 2009

**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)
7/1/2008	\$ -	\$ 83,050,934	\$ 83,050,934	0.00%	\$ 7,972,833	9.6%

**Schedule of Employer Contributions**

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2009	\$ 7,619,000	\$ 2,858,000	38%

The Town implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009.  
Information for prior years is not available.

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

FISCAL YEAR ENDED JUNE 30, 2009

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Actuarial Methods:

Valuation date.....	July 1, 2008
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Level dollar amount over a 30 year period at transition
Remaining amortization period.....	30 Years as of July 1, 2008

Actuarial Assumptions:

Investment rate of return.....	4.00%
Medical/drug cost trend rate.....	10.00% graded to 5.00% over 5 years

Plan Membership:

Current retirees, beneficiaries, and dependents...	261
Current active members.....	<u>566</u>
Total.....	<u><u>827</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 2009 approved budget and amounts carried forward from prior year authorized approximately \$52.2 million in appropriations and other amounts to be raised. During fiscal year 2009, the Town meeting approved subsequent reductions in appropriations totaling approximately \$1.1.

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, 2009, is presented below:

Net change in fund balance - budgetary basis.....	\$	957,725
<u>Basis of accounting differences:</u>		
Net difference in recognition of revenues.....		15,280
Recognition of revenue for on-behalf payments.....		5,188,000
Recognition of expenditures for on-behalf payments.....		<u>(5,188,000)</u>
Net change in fund balance - GAAP basis.....	\$	<u>973,005</u>

C. Appropriation Deficits

During fiscal year 2009, expenditures exceeded budgeted appropriations for public works, culture and recreation, pension benefits and debt service-interest. These deficits will be funded in future fiscal years through tax levy and other available funds.

**NOTE B – PENSION PLAN**

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

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

## Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2008
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.5% per year, level dollar for ERI liability certain units.
Remaining Amortization Period.....	20 years remaining as of January 1, 2008, closed
Asset Valuation Method.....	Assets held by the fund are valued at market value as reported by the Public Employees' Retirement Administration Commission (PERAC). The actuarial value is based on a 5 year smoothing of realized and unrealized investment earnings greater than or less than the expected return. The result must be within 10% of market value.

## Actuarial Assumptions:

Investment rate of return.....	8.50%
Projected salary increases.....	4.50%
Cost of living adjustments.....	3.00% for the first \$12,000 of retirement income

## Plan Membership:

Retired participants and beneficiaries receiving benefits.....	2,889
Inactive participants.....	1,917
Disabled participants.....	332
Active participants.....	<u>7,036</u>
Total.....	<u><u>12,174</u></u>

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

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

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

The Schedule of Funding Progress and Employer Contributions presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets. Since this is the Town's initial year of implementation of GASB Statement 45, information for prior years is not available.

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.