

**TOWN OF WAREHAM, MASSACHUSETTS  
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JUNE 30, 2007**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen  
Town of Wareham  
Wareham, Massachusetts

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wareham, Massachusetts, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wareham, Massachusetts, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated June 12, 2008, on my consideration of the Town of Wareham, Massachusetts' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.



To the Board of Selectmen  
Town of Wareham, Massachusetts

The purpose of that report is to describe the scope of my 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 considered in assessing the results of my audit.

The management's discussion and analysis on pages 5 through 14 and budgetary comparison information on page 54, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Wareham, Massachusetts' basic financial statements. The introductory section and the budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Town of Wareham, Massachusetts. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the budgetary comparison schedule have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

*Claude Bowdoin LLC*

June 12, 2008

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

To the Board of Selectmen  
Town of Wareham  
Wareham, Massachusetts

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wareham, Massachusetts as of and for the year ended June 30, 2007, which collectively comprise the Town of Wareham, Massachusetts's basic financial statements and have issued my report thereon dated June 12, 2008. I conducted my 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.

### **Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Town of Wareham, Massachusetts' internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Wareham, Massachusetts' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.



To the Board of Selectmen  
Town of Wareham, Massachusetts

I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Findings listed include 2007.1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Wareham, Massachusetts' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Selectmen, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Claude Bourdin LLC*

June 12, 2008

**TOWN OF WAREHAM, MASSACHUSETTS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TOWN OF WAREHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

As management of the Town of Wareham, Massachusetts, we offer readers of the Town of Wareham financial statements this narrative overview and analysis of the financial activities of the Town of Wareham for the fiscal year ended June 30, 2007.

**FINANCIAL HIGHLIGHTS**

- The assets of the Town of Wareham exceeded its liabilities at the close of the most recent fiscal year by \$129,047,056 (net assets). Of this amount, \$110,680,474 (85.77% - invested in capital assets, net of related debt) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less depreciation and any related debt used to acquire those assets that is still outstanding. \$15,020,118 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$32,736,218. Of this amount, \$32,055,324 is attributable to capitalizing the Town's infrastructure for the first time.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund surplus of \$5,230,085, an increase of \$5,731,567, in comparison with the prior year. Governmental funds report a surplus of \$957,094 and non-major Governmental funds a surplus of \$4,272,991 of which \$3,301,407 is available for spending at the government's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$778,023, or 1.47% of total general fund expenditures.
- The General Fund operations resulted in a \$420,549 decrease in fund balance.
- Wareham's long-term debt increased by \$5,179,311 during the year. The key factor in this increase was the issuance of \$7,883,209 in sewer obligation bonds, \$1,420,000 in general obligation bonds and payment of outstanding principal of \$4,123,898.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**TOWN OF WAREHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

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

The *statement of net assets presents* information on all 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 is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 only result in cash flows in future fiscal periods. (e.g. uncollected taxes and earned but unused vacation leave)

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

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

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows* of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term 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 balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The Town of Wareham adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

**TOWN OF WAREHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

**Proprietary funds.** The Town maintains two 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 and camp activities.

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among various functions. The Town used an internal service funds to account for health 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.

**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. The accounting used for fiduciary funds is much like that used for propriety funds.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The assets of the Town of Wareham exceeded its liabilities at the close of the most recent fiscal year by \$129,047,056 (net assets). Of this amount, \$110,680,474 (85.77% - invested in capital assets, net of related debt) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less depreciation and any related debt used to acquire those assets that is still outstanding. \$15,020,118 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

**Town of Wareham - Governmental Activities Net Assets**

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net assets. Net assets increased by \$32.74 million during the fiscal year. Much of the increase can be directly attributed to \$32 million increase in capitalization of the Town's infrastructure.

\*\*\*See next page for full schedule\*\*\*

**TOWN OF WAREHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

	<b>Governmental Activities</b>	
<b>ASSETS</b>	<u><b>2007</b></u>	<u><b>2006</b></u>
Assets (excluding capital)	\$ 22,184,432	\$30,925,651
Capital assets	<u>83,527,981</u>	<u>52,079,504</u>
<b>Total assets</b>	<b>105,712,413</b>	<b>83,005,155</b>
<b>LIABILITIES</b>		
Current liabilities (excluding debt)	7,802,206	9,447,982
Non-current liabilities (excluding debt)	2,899,709	3,186,931
Current debt	4,660,846	8,897,142
Non-current debt	<u>5,923,672</u>	<u>8,930,518</u>
<b>Total liabilities</b>	<b>21,286,433</b>	<b>30,462,573</b>
<b>NET ASSETS</b>		
Capital assets net of related debt	76,764,874	43,165,009
Restricted	3,346,464	3,267,577
Unrestricted	<u>4,314,642</u>	<u>6,109,995</u>
<b>Total net assets</b>	<b>84,425,980</b>	<b>52,542,581</b>

Net assets from the Town's governmental activities increased by \$31.88 million during fiscal 2007. The key elements of the change were the capitalization of the Town's infrastructure in the amount of \$32,055,324 and the net results of operations of (\$171,925).

\*\*\*See next page for full schedule\*\*\*

**TOWN OF WAREHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

	<b>Governmental Activities</b>	
<b>PROGRAM REVENUES</b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Charges for services	\$ 8,135,965	\$ 7,592,456
Operating grants and contributions	20,667,196	20,131,131
Capital grants and contributions	762,991	2,328,767
<b>GENERAL REVENUES</b>		
Real estate and personal property taxes	29,304,778	27,152,753
Motor vehicle and other excise taxes	2,286,963	2,503,683
Non-restricted grants and contributions	725,318	2,372,792
Unrestricted investment income	406,205	466,990
Other revenues	<u>802,423</u>	<u>872,016</u>
<b>Total revenues</b>	<b>63,091,839</b>	<b>63,420,588</b>
<b>EXPENSES</b>		
General government	5,783,609	5,027,792
Public safety	8,372,370	7,324,277
Education	43,056,592	43,186,208
Public works	3,987,765	3,421,257
Human services	1,104,845	1,560,182
Culture and recreation	1,475,149	1,135,580
Debt service	<u>280,670</u>	<u>309,323</u>
<b>Total expenses</b>	<b>64,061,000</b>	<b>61,964,619</b>
<b>Transfers in (out)</b>	<b>797,236</b>	<b>799,810</b>
<b>Changes in net assets</b>	<b>(\$ 171,925)</b>	<b>\$ 2,255,779</b>

Numerous factors contributed to the change in net assets within the governmental activities category. Some of the major items are:

- Decrease in actual motor vehicle excise tax revenue of \$448,537 from budgeted amount of \$2,735,500.

**Business-type Activities:** Business-type activities resulted in a \$852,819 increase to net assets for the year. The following table identifies key elements of the enterprise operations:

**TOWN OF WAREHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

<b>ASSETS</b>	<b>Business-Type Activities</b>	
	<u><b>2007</b></u>	<u><b>2006</b></u>
Non-capital assets	\$ 18,981,825	\$19,745,333
Capital assets	<u>66,535,600</u>	<u>63,947,992</u>
<b>Total assets</b>	<b>85,517,485</b>	<b>83,693,325</b>
<b>LIABILITIES</b>		
Current liabilities (excluding debt)	780,550	1,133,518
Current debt	2,155,734	6,539,411
Non-current debt	<u>37,960,125</u>	<u>32,252,139</u>
<b>Total liabilities</b>	<b>40,896,409</b>	<b>39,925,068</b>
<b>NET ASSETS</b>		
Capital assets net of related debt	33,915,600	32,785,909
Unrestricted	<u>10,705,476</u>	<u>10,982,348</u>
<b>Total net assets</b>	<b>44,621,076</b>	<b>43,768,257</b>
<b>PROGRAM REVENUES</b>		
Charges for services	5,840,991	8,435,013
Operating grants and contributions	1,024,284	5,165,711
Other revenues	<u>                    </u>	<u>117,564</u>
<b>Total revenues</b>	<b>6,865,275</b>	<b>13,718,288</b>
<b>EXPENSES</b>		
Water pollution control	5,215,220	4,989,428
Camp	<u>                    </u>	<u>60,802</u>
<b>Total expenses</b>	<b>5,215,220</b>	<b>5,050,230</b>
<b>Transfers in (out)</b>	<b>( 797,236)</b>	<b>( 799,810)</b>
<b>Changes in net assets</b>	<b>852,819</b>	<b>7,868,248</b>

**TOWN OF WAREHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

**Financial Analysis of the Government's Funds**

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

**Governmental funds.** The focus of the Town of Wareham'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 of Wareham'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, the Town of Wareham's governmental funds reported combined ending fund balances of \$5,230,085, an increase of \$5,731,567 in comparison with the prior year. Approximately 63% of this total amount \$3,301,407 constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the prior period \$156,715, (2) to generate income to pay for the perpetual care of the municipal cemetery \$307,616, or (3) for a variety of other restricted purposes \$1,382,991.

The general fund is the chief operating fund of the Town of Wareham. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$778,023, while total fund balance reached \$957,094. 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, undesignated fund balance represents 1.47% percent of total general fund expenditures, while total fund balance represents 1.80% percent of that same amount.

The fund balance of the Town of Wareham's general fund increased by \$5,731,567 during the current fiscal year. Key factors in this growth are as follows:

- Decrease in actual motor vehicle excise tax revenue of \$448,537 from budgeted amount of \$2,735,500.

**Proprietary fund.** The Town of Wareham's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Pollution Control Facility at the end of the year amounted to \$18,201,275, while total fund balance reached \$44,621,076. The total growth in net assets was \$852,819. Other factors concerning the finances of the fund has already been addressed in the discussion of the Town of Wareham's business-type activities.

**TOWN OF WAREHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

**General Fund Budgetary Highlights**

During the year there was a \$1,452,240 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$509,074 supplemental appropriation to intergovernmental charges uses to fund increase in teachers retirement not properly funded in original budget.
- \$452,622 supplemental appropriation for operating transfers out to give additional funding to Health Insurance Trust Fund .
- \$592,332 supplemental appropriation for other financing uses for a revenue deficit generated in Fiscal 2006.

The increase appropriations was due to use of \$1,077,857 from undesignated fund balance and reductions in the following appropriations: public safety \$160,580; public works \$32,504; culture and recreation \$116,180; and debt and interest of \$359,850. Actual revenues for excise taxes decreased \$243,372 from prior years due to lack of purchases of newer cars.

**Capital Asset and Debt Administration**

**Capital Assets:** The Town of Wareham's investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounts to \$150,063,641 (net of depreciation). This investment in capital assets includes land, buildings, improvements to land and buildings, machinery and equipment, vehicles, and water pollution control lines.

The total increase in the Town of Wareham's investment in capital assets for the current year was \$34,036,145 including an increase of \$31,448,477 for governmental activities and an increase of \$2,587,668 in the business-type activities. The Town's major capital projects relate to the capitalization of the Town's infrastructure.

Major capital asset events during the current fiscal year included the following:

<b>Governmental Activity</b>	
\$32,055,324	Infrastructure
\$ 1,200,000	Middle School
\$ 240,000	Remodeling
<b>Business-Type</b>	
\$ 2,250,917	Sewer Project

**TOWN OF WAREHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

**Debt:** At the end of the current fiscal year, the Town of Wareham had total debt outstanding of \$50,450,573. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the government. Of this amount \$234,000 is in short term notes, and the remaining \$50,216,573 is in outstanding bonds. The Town has no revenue bonds outstanding, which are bonds secured solely by specified revenue sources. During fiscal 2007, the Town retired long-term debt of \$4,123,898.

The Town of Wareham issued \$80,000 in bond anticipation notes to finance the following:

- \$80,000 in BANS for middle school construction

The business-type funds have \$40,115,859 in outstanding bonds that are fully supported by the rates and do not rely on a general fund subsidy.

**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 Director of Finance/Accountant at Wareham Town Hall, 54 Marion Road, Wareham, Massachusetts 02571.

**TOWN OF WAREHAM, MASSACHUSETTS**

**BASIC FINANCIAL STATEMENTS**

**TOWN OF WAREHAM, MASSACHUSETTS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,046,450	\$ 2,392,002	\$ 11,438,452
Investments	442,612	-	442,612
Receivables, net of uncollectible accounts:			
Real estate, personal property, betterments	579,020	20,360	599,380
Tax/utility liens	2,744,869	61,778	2,806,647
Charges for services	-	644,682	644,682
Excises	458,450	-	458,450
Departmental and other	469,698	-	469,698
Due from other governments	5,000,877	11,738,438	16,739,315
Betterments	400,755	4,124,565	4,525,320
Loans	1,894,462	-	1,894,462
Deposits and prepayments	803,550	-	803,550
Cash and investments, restricted for endowments	343,689	-	343,689
Capital assets, net of accumulated depreciation	83,527,981	66,537,122	150,065,103
Total Assets	\$ 105,712,413	\$ 85,518,947	\$ 191,231,360

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAREHAM, MASSACHUSETTS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Accounts payable	\$ 2,283,510	\$ 142,028	\$ 2,425,538
Accrued expenses:			
Payroll and taxes	307,629	12,311	319,940
Interest	178,992	567,688	746,680
Compensated absences	250,000	58,523	308,523
Retained risk	286,699	-	286,699
Capital Acquisition	1,100,000	-	1,100,000
Notes payable	234,000	-	234,000
Capital lease obligation	122,593	-	122,593
Bonds payable, current portion	4,304,253	2,155,734	6,459,987
Deferred revenues	2,241,247	-	2,241,247
Other liabilities	1,154,129	-	1,154,129
Non-current liabilities:			
Compensated absences	1,249,179	-	1,249,179
Bonds payable	5,796,461	37,960,125	43,756,586
Capital lease obligation	127,211	-	127,211
Special termination benefits	1,650,530	-	1,650,530
Total Liabilities	21,286,433	40,896,409	62,182,842
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	76,764,874	33,915,600	110,680,474
Restricted for:			
Highways	540,841	-	540,841
Community preservation	1,832,338	-	1,832,338
Perpetual funds:			
Expendable	665,669	-	665,669
Non-expendable	307,616	-	307,616
Unrestricted	4,314,642	10,706,938	15,021,580
Total net assets	84,425,980	44,622,538	129,048,518
 Total Liabilities and Net Assets	 \$ 105,712,413	 \$ 85,518,947	 \$ 191,231,360

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAREHAM, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

Function/Program	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
General government	\$ 5,783,609	\$ 1,785,687	\$ 830,529	\$ 540,480	\$ (2,626,913)
Public safety	8,372,370	1,984,753	272,591	-	(6,115,026)
Education	43,056,592	3,373,652	19,026,330	222,511	(20,434,099)
Public works	3,987,765	172,821	217,203	-	(3,597,741)
Human services	1,104,845	541,257	270,899	-	(292,689)
Culture and recreation	1,475,149	277,795	49,644	-	(1,147,710)
Debt service	280,670	-	-	-	(280,670)
Total government activities	<u>64,061,000</u>	<u>8,135,965</u>	<u>20,667,196</u>	<u>762,991</u>	<u>(34,494,848)</u>
<b>Business-type activities:</b>					
Water pollution control	<u>5,213,758</u>	<u>5,840,991</u>	<u>1,024,284</u>	<u>-</u>	<u>1,651,517</u>
Total business-type activities	<u>5,213,758</u>	<u>5,840,991</u>	<u>1,024,284</u>	<u>-</u>	<u>1,651,517</u>
Total primary government	<u>\$ 69,274,758</u>	<u>\$ 13,976,956</u>	<u>\$ 21,691,480</u>	<u>\$ 762,991</u>	<u>\$ (32,843,331)</u>
Change in net assets:					
			Governmental activities	Business-type activities	Total
Net (expense)/revenue			\$ (34,494,848)	\$ 1,651,517	\$ (32,843,331)
Real and personal property taxes levied for general purposes			28,763,082	-	28,763,082
Real estate taxes levied for community preservation			541,696	-	541,696
Motor vehicle and other excise taxes			2,286,963	-	2,286,963
Interest and penalties			280,144	-	280,144
Grants and contributions not restricted to specific programs			725,318	-	725,318
Unrestricted investment income			406,205	-	406,205
Contributions to permanent fund principal			10,200	-	10,200
Miscellaneous revenue			512,079	-	512,079
Transfers, net			797,236	(797,236)	-
Total general revenues, special items, and transfers			<u>34,322,923</u>	<u>(797,236)</u>	<u>33,525,687</u>
Change in net assets			(171,925)	854,281	682,356
Net Assets, beginning			84,597,905	43,768,257	128,366,162
Net Assets, ending			<u>\$ 84,425,980</u>	<u>\$ 44,622,538</u>	<u>\$ 129,048,518</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAREHAM, MASSACHUSETTS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<u>General</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,463,080	\$ 4,364,304	\$ 6,827,384
Investments	442,612	-	442,612
Receivables, net of uncollectible accounts:			
Real estate and personal property taxes	570,856	8,164	579,020
Tax/utility liens	2,271,302	-	2,271,302
Excises	458,450	-	458,450
Departmental and other	85,102	234,596	319,698
Due from other governments	3,758,544	1,242,333	5,000,877
Loans	-	1,894,462	1,894,462
Betterments	400,755	-	400,755
Prepayments	408,146	-	408,146
Cash and investments, restricted	-	343,689	343,689
Total Assets	<u>\$ 10,858,847</u>	<u>\$ 8,087,548</u>	<u>\$ 18,946,395</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,148,906	-	\$ 2,148,906
Accrued expenses:			
Payroll and taxes	245,054	\$ 62,575	307,629
Notes payable	-	234,000	234,000
Deferred revenues	7,432,896	3,517,982	10,950,878
Other liabilities	74,897	-	74,897
Total Liabilities	<u>9,901,753</u>	<u>3,814,557</u>	<u>13,716,310</u>
<b>FUND BALANCES</b>			
Reserved for:			
Encumbrances and continued appropriations	156,715	-	156,715
Community preservation	-	1,382,991	1,382,991
Perpetual permanent funds	-	307,616	307,616
Unreserved:			
Designated for subsequent year expenditures	22,356	59,000	81,356
Undesignated, reported in:			
General fund	778,023	-	778,023
Capital projects funds	-	86,987	86,987
Special revenue funds	-	2,436,397	2,436,397
Total Fund Balances	<u>957,094</u>	<u>4,272,991</u>	<u>5,230,085</u>
Total Liabilities and Fund Balances	<u>\$ 10,858,847</u>	<u>\$ 8,087,548</u>	<u>\$ 18,946,395</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAREHAM, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007**

Total governmental fund balances, Exhibit 3	\$ 5,230,085
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not functional resources and, therefore, are not reported in the funds	83,436,848
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds but are deferred. These include:	
Real estate and personal property taxes	7,285,823
State school building assistance grant reimbursements	329,492
Chapter 90 highway grants	648,340
Ambulance receivables	234,596
	<u>97,165,184</u>
Liens receivable are reflected in governmental funds in the amount of tax assessed and are offset by an equal amount of deferred revenue. Governmental funds include unrecorded interest, eliminate deferred and make a provision for uncollectible amounts	473,567
Governmental funds report the provision for abatements and exemptions as as liability whereas the government wide reflect this amount as a reservation of fund balance reduced by tax refunds payable	211,381
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due	(178,993)
Internal service funds are used by management to account for health, workers compensation, property and liability insurance activities. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets	1,398,538
Long term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Asset acquisition	(1,100,000)
Bonds and notes payable	(11,349,893)
Capital lease	(249,804)
Compensated absences	(293,470)
Special termination benefits	(1,650,530)
Net assets of governmental activities, Exhibit 1	<u>\$ 84,425,980</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAREHAM, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>General</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 25,546,094	\$ 541,696	\$ 26,087,790
Tax liens	453,543	149	453,692
Excises	2,271,158	-	2,271,158
Interest and penalties	359,909	-	359,909
Departmental	356,392	5,122,993	5,479,385
Charges for services	649,906	-	649,906
Licenses and permits	980,309	-	980,309
Contributions	-	11,700	11,700
Intergovernmental - federal	-	3,415,047	3,415,047
Intergovernmental - state	20,227,932	6,805,041	27,032,973
Fines and forfeitures	103,204	-	103,204
Investment income	383,297	108,562	491,859
Miscellaneous	213,515	298,564	512,079
Total Revenues	<u>51,545,259</u>	<u>16,303,752</u>	<u>67,849,011</u>
<b>EXPENDITURES</b>			
General government	3,408,267	2,637,423	6,045,690
Public safety	5,265,660	1,213,683	6,479,343
Education	29,912,987	4,999,198	34,912,185
Public works	1,463,185	914,735	2,377,920
Human services	558,026	168,265	726,291
Culture and recreation	820,611	990,079	1,810,690
Debt service	2,510,291	167,325	2,677,616
Intergovernmental charges	1,411,110	-	1,411,110
Employee benefits	4,997,540	-	4,997,540
Retirement contribution	2,037,368	-	2,037,368
Insurance	674,478	-	674,478
Capital outlay	-	352,213	352,213
Total Expenditures	<u>53,059,523</u>	<u>11,442,921</u>	<u>64,502,444</u>
Excess (deficiency) of revenues over expenditures	(1,514,264)	4,860,831	3,346,567
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	-	1,420,000	1,420,000
Operating transfers in	1,372,560	278,845	1,651,405
Operating transfers out	(278,845)	(407,560)	(686,405)
Total Other Financing Sources (Uses)	<u>1,093,715</u>	<u>1,291,285</u>	<u>2,385,000</u>
Net change in fund balances	(420,549)	6,152,116	5,731,567
FUND BALANCE, Beginning of Year	<u>1,377,643</u>	<u>(1,879,125)</u>	<u>(501,482)</u>
FUND BALANCE, End of Year	<u>\$ 957,094</u>	<u>\$ 4,272,991</u>	<u>\$ 5,230,085</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAREHAM, MASSACHUSETTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

Net changes in fund balances - total governmental funds, Exhibit 4	\$ 5,731,567
<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>	
Equipment purchases	2,524,799
Depreciation	(2,953,094)
<p>Revenues in the Statement of Activities that do not provide current financial resources are 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>	
	(763,557)
<p>State aid in the statement of activities does not include the portion of school building assistance attributable to interest expense. This amount is the portion of state aide allocated to offset current interest expense.</p>	
	(6,186,394)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of activities.</p>	
Bonds issued	(1,420,000)
Bond maturities	1,949,922
<p>Activity of the internal service funds are included in the statement of activities but are not reported as part of the governmental funds receipts, expenditures, and changes in fund balance. This amount is the net results of operations of the internal service funds.</p>	
	600,122
<p>Governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.</p>	
	4,914
<p>Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and , therefore, are not reported as expenditures in the governmental funds. This amount represents the net change in the following liabilities:</p>	
Compensated absences	228,744
Early retirement incentive	111,052
	228,744
Changes in net assets of governmental activities, Exhibit 2	\$ (171,925)

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAREHAM, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2007**

	<u>Business-type activities</u>	
	<u>Water Pollution Control Facility</u>	<u>Internal Service Funds</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,392,002	\$ 1,289,833
Receivables, net of uncollectible accounts:		
Betterments	20,360	-
Tax/utility liens	52,000	-
Charges for services	644,682	-
Due from other governments	1,663,189	-
Deposits	-	79,200
Total current assets	<u>4,772,233</u>	<u>1,369,033</u>
Noncurrent assets:		
Due from other governments	10,075,249	-
Tax/utility liens	9,778	-
Betterments	4,124,565	-
Land and construction in progress	4,717,166	-
Capital assets, net	61,819,956	-
Total noncurrent assets	<u>80,746,714</u>	<u>-</u>
Total Assets	<u>\$ 85,518,947</u>	<u>\$ 1,369,033</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 142,028	-
Accrued expenses:		
Payroll and taxes	12,311	-
Interest	567,688	-
Compensated absences	58,523	-
Bonds and notes payable	2,155,734	-
Retained risk	-	\$ 286,699
Total current liabilities	<u>2,936,284</u>	<u>286,699</u>
Non-current liabilities:		
Non-current portion of long-term liabilities:		
Bonds and notes payable	37,960,125	-
Total non-current liabilities:	<u>37,960,125</u>	<u>-</u>
Total Liabilities	40,896,409	286,699
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	26,421,263	
Unrestricted	18,201,275	1,082,334
Total net assets	<u>44,622,538</u>	<u>1,082,334</u>
Total Liabilities and Net Assets	<u>\$ 85,518,947</u>	<u>\$ 1,369,033</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAREHAM, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007**

	Business-type activities	
	<u>Water Pollution Control Facility</u>	<u>Internal Service Funds</u>
<b>REVENUES</b>		
User charges for services	\$ 5,445,121	-
Other charges for services	123,461	-
Interest and penalties	225,570	-
Employee Employer	-	\$ 2,253,352
	-	4,559,382
Total Operating Revenues	<u>5,794,152</u>	<u>6,812,734</u>
<b>OPERATING EXPENSES</b>		
Personnel costs	667,784	-
Purchase of services	796,903	-
Supplies	319,020	-
Other charges and expenses	252,701	-
Depreciation	1,611,730	-
Employee benefits	-	6,437,862
Total Operating Expenses	<u>3,648,138</u>	<u>6,437,862</u>
Operating income (loss)	<u>2,146,014</u>	<u>374,872</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Intergovernmental	1,024,284	-
Interest expense	(1,351,017)	-
Total Non Operating Revenues (Expenses)	<u>(326,733)</u>	<u>-</u>
Income (loss) before transfers	1,819,281	374,872
Operating transfers out	<u>(965,000)</u>	<u>-</u>
Total transfers	<u>(965,000)</u>	<u>-</u>
Change in Net Assets	854,281	374,872
Net Assets, beginning	<u>43,768,257</u>	<u>707,462</u>
Net Assets, ending	<u>\$ 44,622,538</u>	<u>\$ 1,082,334</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAREHAM, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007**

	Business-type activities - Enterprise Funds	
	<u>Water Pollution Control Facility</u>	<u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 6,927,645	\$ 6,812,734
Payments to vendors	(2,409,931)	(6,817,416)
Payments to employees	(641,936)	-
Net Cash Provided by (Used in) Operating Activities	<u>3,875,778</u>	<u>(4,682)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers out	(965,000)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(965,000)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from issuance of bonds and notes	7,883,209	-
Principal payments on bonds and notes	(6,023,673)	-
Acquisition and construction of capital assets	(4,457,500)	-
Interest payments	(876,038)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(3,474,002)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(563,224)	(4,682)
Cash and cash equivalents, beginning	<u>2,955,226</u>	<u>1,294,515</u>
Cash and cash equivalents, ending	<u>\$ 2,392,002</u>	<u>\$ 1,289,833</u>
Reconciliation of operating income to net cash provided by (used by) operating activities		
Operating income (loss)	\$ 2,146,014	\$ 374,872
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,611,730	-
Changes in assets and liabilities:		
Charges for services	104,287	-
Deposits	-	(4,000)
Accounts payable and accrued expenses	13,747	(375,554)
Total adjustments	<u>1,729,764</u>	<u>(379,554)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 3,875,778</u>	<u>\$ (4,682)</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAREHAM, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2007**

	Private Purpose <u>Trust Funds</u>	Agency <u>Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 605,341	\$ 929,232
Accounts receivable	-	150,000
Total Assets	<u>\$ 605,341</u>	<u>\$ 1,079,232</u>
<b>LIABILITIES</b>		
Other liabilities	-	1,079,232
Total Liabilities	-	1,079,232
<b>NET ASSETS</b>		
Net assets held in trust	<u>\$ 605,341</u>	<u>-</u>
Total Liabilities and Net Assets	<u>\$ 605,341</u>	<u>\$ 1,079,232</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAREHAM, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>	
Contributions	\$ 3,621
Total contributions	<u>3,621</u>
<b>INVESTMENT EARNINGS</b>	
Interest and dividends	26,349
Total investment earnings	<u>26,349</u>
Total additions	<u>29,970</u>
<b>DEDUCTIONS</b>	
Education	<u>5,353</u>
Total Deductions	<u>5,353</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Operating transfers in	<u>-</u>
Change in Fiduciary Net Assets	<u>24,617</u>
Net Assets, beginning	<u>580,724</u>
Net Assets, ending	<u><u>\$ 605,341</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAREHAM, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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

A. Reporting Entity

The Town of Wareham, Massachusetts (the Town) is located in Plymouth County in southeastern Massachusetts. The Town was settled in 1653, incorporated in 1812, and is governed by the selectmen - representative town meeting form of government.

B. Basis of Presentation, Basis of Accounting

The financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting.

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the *governmental* and *business-type* activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Employee benefits, property and liability insurance; and state assessments and charge costs have been allocated to major functions in order to present a more accurate and complete picture of the cost of Town services. The Town does not allocate indirect expense to functional activities. Program revenues include (a) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non major funds.

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non exchange transactions or ancillary activities.

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

Total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund is at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or enterprise funds), and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

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

The Town reports the following major governmental funds:

General Fund: This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

School Construction, a major fund, is a fund that is used to account for the accumulation of funds to be used for the renovation of the middle school.

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

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

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

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

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

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.

The Town reports the following major enterprise funds:

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

Camp Fund: This fund accounts for the operation of summer camping activities.

The Town reports the following fund types:

Private Purpose Trust Funds: These funds are used to account for resources legally held in trust for the benefit of persons and organizations other than the Town. Since such funds cannot be used for purposes of providing Town services, they are excluded from the Town's entity-wide financial statements.

Agency Fund: This fund is used to account for monies held on behalf of parties other than the Town, such as state and federal agencies; public school student activities, and builder's bond deposits.

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.

**Measurement Focus, Basis of Accounting**

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time that liabilities are incurred, regardless of when the related cash flows take place. Non exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, motor excise taxes, charges for service, investment income, and in-lieu-of-tax payments are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long term debt and compensated absences, which are recognized as expenditures only to the extent that they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Equity

**Cash and Investments**

The Town's 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.

**Restricted Cash and Investments**

Permanent fund cash and investments and cash associated with certain development deposits are classified as restricted assets. These assets are not available to finance the general operations of the Town.

**Receivables**

All trade and property tax receivables are shown net of an allowance for uncollectibles. Outstanding personal property taxes, and motor vehicle and boat excise taxes that are three or more years old have been classified as uncollectible for financial reporting purposes. Outstanding real estate taxes are deemed fully collectible until lien. Tax liens receivable, and related interest, are reflected with an allowance for uncollectible amounts of approximately 25%. Outstanding ambulance receivables more than 180 days old are deemed uncollectible. All other receivables are considered fully collectible.

The Town provides an allowance for uncollectible amounts of 3% of outstanding WPCF user charges receivable. Real estate taxes receivable are considered to be collectible in full until they are moved to tax liens.

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

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

**Receivables, Revolving Loan Programs**

The Town operates revolving loan programs (formerly part of the Authority) with funds provided by the Massachusetts Department of Housing and Community Development (DHCD). All grant funds provided by DHCD to establish revolving loan programs are ultimately returnable to the DHCD to extent related loans and interest are recovered from borrowers for housing rehabilitation loans. As such, the Town (formerly the Authority) does not provide for uncollectible amounts as any amount uncollected will reduce the amount repayable to DHCD.

**Property Taxes**

The Town is responsible for assessment and collection of all property taxes. The Board of Assessors determine the estimated fair market value of all real and personal property, subject to the property tax, each January 1. Taxes are then levied on each property based upon the budget that is adopted by the Town Meeting net of the amount of state aid. Property taxes are due in semi-annual installments on November 1, and May 1, and subject to penalties and 14% interest if not paid by the due date. It is the Town's policy to perfect tax liens on delinquent properties within two years from the date that the tax is levied. At this point the interest rate on the delinquent tax increases to 16% per annum.

**Motor Vehicle Excise Taxes**

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town 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.

**WPCF User Charges**

Commercial and residential user fees are billed semiannually. All billings are based on individual meter readings 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.

**Intergovernmental**

Various federal and state grants for operating and capital purposes are applied for and received annually. For non expenditure driven grants, receivables are recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recognized when the qualifying expenditures are incurred and all other grant requirements are met.

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

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

**Inventories**

Since the amount of inventories are not material in total to the financial statements of the Town, inventories are recorded as expenditures at the time of purchase.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable Town or business-type activities columns in the government-wide financial statements. 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>Asset Class</u>	<u>Capitalization Threshold</u>
Equipment and vehicles	\$25,000
Buildings and land	\$100,000
Infrastructure	\$500,000

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

In the case of the initial capitalization of general infrastructure assets (i.e. those reported by governmental activities) the Town chose to include all such items regardless of their acquisition date or amount. The Town was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e. estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to 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 amount 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. In the case of donations the Town values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Town during the current fiscal year was \$545,303. Of this amount, \$179,994 was included as part of the cost of capital assets under construction in connection with wastewater treatment facilities construction projects.

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

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

Property, plant, and equipment of the Town is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Building improvements	40
Public domain infrastructure	30-50
System infrastructure	30-50
Vehicles	5
Office equipment	5
Computer equipment	5
Machinery and equipment	5-20

**Inter-fund Transactions**

The Town does not record any transactions of a buyer/seller nature between and within governmental funds.

**Inter-fund 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.

**Deferred and Unearned Revenue, Town**

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.

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

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

The Town (formerly the Authority) recognizes all grant funds provided by DHCD for revolving loan programs as deferred grants payable. This amount includes interest and principal repayments from outstanding loans as well as additional DHCD advances because all unused loan funds are ultimately returnable to DHCD.

Unearned revenue at the government-wide and fund financial statement level represents resources that have been received, but not yet earned.

Net Assets and Fund Equity

*Government - wide financial statements* - Net assets are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been reported as restricted for the following purposes:

Community preservation funds, \$1,832,338 are restricted.

Highways, \$540,841, represent amounts committed by the Commonwealth of Massachusetts under the Chapter 90 program for repair and/or reconstruction of streets and sidewalks.

Perpetual funds - expendable, \$665,669, represents amounts held in trust for which the expenditures are restricted by various trust agreements.

Perpetual funds - non expendable, \$307,615, represents amounts held in trust for which only investment earnings may be expended.

*Fund financial statements* - Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Fund balances have been reserved for the following purposes:

Encumbrances and continued appropriations represent amounts obligated under purchase orders, contracts, or other commitments for expenditure that are being carried forward to the ensuing fiscal year.

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

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

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

Other specified purposes represent restrictions placed on assets by outside parties.

Fund balances have been designated for subsequent year expenditures and represent amounts appropriated by the Town Meeting for the fiscal year 2008 budget.

**Long Term Debt**

*Government-wide and Proprietary Fund Financial Statements* - Long term debt is reported as liabilities in the government wide and proprietary fund statements of net assets. Material bond premiums and discounts, if any, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount.

*Governmental Fund Financial Statements* - The face amount of proceeds from the issuance of governmental funds long term debt is reported as other financing sources. 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, are reported as General Government (treasury and collection) expenditures.

**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 legal or contractual provisions.

**Interest Expense**

Interest on general long-term liabilities is generally considered an indirect expense. However, interest on long-term debt is included in direct expenses in those limited instances when borrowing is essential to the creation or continuing existence of a program and it would be misleading to exclude the interest from direct expenses of that program (for example, a new program that is highly leveraged in its early stages).

**Compensated Absences**

Employees are granted vacation and special leave based upon collective bargaining agreements and Town policy. These benefit costs are accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in the governmental funds at June 30th only as a result of retirement, resignation, or termination.

**Post Retirement Benefits**

In addition to the pension benefits described in Note 9, the Town provides post-retirement health care and life insurance benefits, in accordance with state statutes, for all of the Town's full-time employees and part-time employees over 20 hours who retire from the Town on or after attaining age 55 with at least 10 years of service.

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

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

Currently, 105 retirees are provided post-retirement benefits. The Town pays approximately 75% of medical and life insurance premiums for the retirees and their dependents. The Town recognizes the cost of providing these benefits by expensing premiums in the year paid (pay-as-you-go method). The cost incurred in fiscal 2007 (net of retiree contributions) was approximately \$850,000.

**Use of Estimates**

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of 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.

**Total Column**

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

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budget Information, Town**

The municipal finance laws of the Commonwealth of Massachusetts require that the Town adopt a balanced budget each fiscal year at its Annual Town Meeting. Appropriations are approved for each municipal department with activities in the General, and WPCF funds for personal services (salaries and wages), expenses (supplies and services), debt service and capital outlay/improvements, and fringe benefits. A single bottom-line appropriation budget is recommended and voted for the Wareham Public Schools.

Amendments to the original budget, transfers between municipal departments, and transfers between departmental appropriation units require prior approval of a Special Town Meeting. The Town Accountant's Office has responsibility for making certain that the budget is executed in accordance with the approved budget, and monthly appropriation status reports are provided to the affected departments. Budgetary control is exercised on a line item basis for all municipal departments and transfers between line items within departmental appropriation units require advance approval of the Town Meeting.

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued**

Encumbrance accounting is used as an additional control measure. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities since goods and services have not been received.

Unobligated annual appropriation balances generally lapse at year-end, it is the Town's policy to continue certain appropriations into the following year under certain limited circumstances. These are limited to Town Meeting articles and encumbrances.

An annual budget is voted in conformity with the guidelines described above. The original fiscal year 2007 budget authorized \$49,743,290 in appropriations and other amounts to be raised (including \$193,960 in encumbrances and continued appropriations brought forward from the fiscal year ended June 30, 2006). During the fiscal year, Special Town Meetings authorized supplemental appropriations totaling \$1,452,240 for a total final budget of \$51,195,530. Total transfers to other funds totaled \$4,838,227 and \$156,715 in appropriation balances were carried forward into fiscal year 2008 to support encumbrances and continuing appropriations.

**B. Budgetary - GAAP Reconciliation**

Accounting principles followed for purposes of preparing the basic financial statements on a budgetary basis differ from those used to present basic financial statements in accordance with generally accepted accounting principles (GAAP). A reconciliation of the budgetary-basis to GAAP basis results for the General Fund for the fiscal year ended June 30, 2007 is presented below:

Net change in budgetary amounts, budgetary basis	\$ 42,534
Basis of accounting differences:	
Recognition of Commonwealth of Massachusetts revenue "on-behalf" payments for teachers retirement contributions	3,803,503
Prior year appropriations for encumbrances and carryover articles	( 193,960)
Other financing sources not reflected on a GAAP basis	( 1,077,857)
Other financing uses not reflected on a GAAP basis	808,734
Recognition of intergovernmental expense "on-behalf" payments for teachers retirement contributions	( <u>3,803,503</u> )
Net change in fund balances, GAAP basis	(\$ <u><u>420,549</u></u> )

**C. Excess of Expenditures over Appropriations**

The Town experienced operational deficits in its snow and ice account in the amount of \$46,255.

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued**

D. Deficit Fund Equity

Capital project funds may reflect an accumulated deficit as a result using bond anticipation notes to finance interim project costs. The Town intends to fund such accumulated deficits through the issuance of long-term bonds in future years. Individual project deficits are as follows:

<u>Project</u>	<u>Deficit</u>
Oak Grove School	\$80,000
Total Capital Project Deficits	<u>\$80,000</u>

**NOTE 3 - DEPOSITS AND INVESTMENTS**

A. Summary of Deposit and Investment Balances, Town

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer’s investment pool – the Massachusetts Municipal Depository Trust (MMDT).

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares. The municipal finance laws allow the Town to invest private purpose trust funds in securities other than mortgages or collateral loans that are legal for the investment of funds of savings banks under the laws of the Commonwealth of Massachusetts.

B. Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town’s deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2007, \$6,645,291 of the Town’s bank balance of \$13,221,264 was uninsured and uncollateralized. None of the certificate of deposit in the amount of \$442,612 was uninsured or uncollateralized.

**NOTE 4 - RECEIVABLES**

Receivables as of year end for the government’s individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 4 - RECEIVABLES - Continued**

	<u>General</u>	Nonmajor Govern- mental <u>Funds</u>	Agency <u>Fund</u>	Business Type Water Pollution <u>Control</u>	<u>Total</u>
Taxes	\$3,463,096	\$ 8,164			\$ 3,471,260
Accounts	85,102	234,596	\$150,000	\$ 728,309	1,198,007
Betterments	400,755			4,144,925	4,545,680
Loans		1,894,462			1,894,462
Intergovernmental	<u>3,758,544</u>	<u>1,939,231</u>	_____	<u>11,738,438</u>	<u>17,436,213</u>
Gross Receivables	7,707,497	4,076,453	150,000	16,611,672	28,545,622
Less: allowance for uncollectibles	( <u>162,488</u> )	_____		( <u>21,849</u> )	( <u>184,337</u> )
Net total receivable	<u>\$7,545,009</u>	<u>\$4,076,453</u>	<u>\$150,000</u>	<u>\$16,589,823</u>	<u>\$28,361,285</u>

Receivables not expected to be collected within one year are as follows:

	<u>General</u>	Nonmajor Govern- mental <u>Funds</u>	Water Pollution <u>Control</u>	<u>Total</u>
Taxes	\$1,753,790			\$ 1,753,790
Accounts			\$ 9,778	9,778
Betterments	360,755		3,459,925	3,820,680
Loans		\$1,619,462		1,619,462
Intergovernmental	<u>2,330,544</u>	_____	<u>10,075,249</u>	<u>12,405,793</u>
Total receivables, long-term	<u>\$4,445,089</u>	<u>\$1,619,462</u>	<u>\$13,544,952</u>	<u>\$19,609,503</u>

Revenues of the Water Pollution Control Facility are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are \$21,849.

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. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 4 - RECEIVABLES - Continued**

<u>Receivable Type</u>	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Real estate and personal property taxes	\$ 1,207,386		\$ 1,207,386
Tax/utility liens	2,071,302		2,071,302
Excises	458,450		458,450
Ambulance	234,596		234,596
Highway	648,340		648,340
Grants		\$191,941	191,941
Departmental and other	485,857		485,857
Loan programs	1,894,462		1,894,462
Due from other governments	<u>3,758,544</u>	<u>          </u>	<u>3,758,544</u>
Total	<u>\$10,758,937</u>	<u>\$191,941</u>	<u>\$10,950,878</u>

**NOTE 5 - CAPITAL ASSETS**

Changes in Capital Assets - The following table provides a summary of changes in capital assets.

<b>Governmental Activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 3,781,889			\$ 3,781,889
Construction in progress	<u>945,175</u>	\$ 1,994,035	<u>          </u>	<u>2,939,210</u>
Total capital assets, not being depreciated	4,727,064	1,994,035	-	6,721,099
Capital assets, being depreciated:				
Buildings	67,719,046			67,719,046
Improvements	1,375,764			1,375,764
Machinery and equipment	7,242,022			7,242,022
Infrastructure	<u>          </u>	<u>47,783,257</u>	<u>          </u>	<u>47,783,257</u>
Total capital assets, being depreciated	76,336,832	47,783,257	-	124,120,089
Less accumulated depreciation for:				
Buildings	23,537,836	1,249,063		24,786,899
Improvements	528,624	68,788		597,412
Machinery and equipment	4,565,719	571,269		5,136,988
Infrastructure	<u>          </u>	<u>16,791,908</u>	<u>          </u>	<u>16,791,908</u>
Total accumulated depreciation	<u>28,632,179</u>	<u>18,681,028</u>	<u>          </u>	<u>47,313,207</u>
Total capital assets, being depreciated, net	<u>\$47,704,653</u>	<u>29,102,229</u>	<u>          </u>	<u>\$76,806,882</u>
Governmental activities capital assets, net	<u>\$52,431,717</u>	<u>\$31,096,264</u>	<u>          </u>	<u>\$83,527,981</u>

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 5 - CAPITAL ASSETS - Continued**

<b>Business-type Activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 4,842,708			\$ 4,842,708
Construction in progress	<u>28,104,500</u>	<u>\$2,066,915</u>	( <u>\$25,454,248</u> )	<u>4,717,167</u>
Total capital assets, not being depreciated	32,947,208	2,066,915	( 25,454,248)	9,559,875
Capital assets, being depreciated:				
Buildings and system	4,499,812	25,337,276		29,837,088
Improvements other than buildings	34,777,218	2,250,917		37,028,135
Machinery and equipment	<u>14,119,043</u>	<u>                    </u>	<u>                    </u>	<u>14,119,043</u>
Total capital assets, being depreciated	53,396,073	27,588,193	-	80,984,266
Less accumulated depreciation for:				
Buildings and system	2,093,777	345,161		2,438,938
Improvements other than buildings	12,425,284	832,016		13,257,300
Machinery and equipment	<u>7,876,228</u>	<u>434,553</u>	<u>                    </u>	<u>8,310,781</u>
Total accumulated depreciation	22,395,289	1,611,730	-	24,007,019
Total capital assets, being depreciated, net	<u>31,000,784</u>	<u>25,976,463</u>	<u>                    </u>	<u>56,977,247</u>
Business-type activities capital assets, net	<u>\$63,947,992</u>	<u>\$28,043,378</u>	<u>(\$25,454,248)</u>	<u>\$66,537,122</u>

**NOTE 5 - CAPITAL ASSETS - Continued**

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

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General government	\$ 91,164	WPCF	\$1,611,730
Public safety	192,656		
Education	1,296,958		
Public works	1,239,201		
Human services	54,470		
Culture and recreation	<u>78,645</u>		
Total	<u>\$2,953,094</u>	Total	<u>\$1,611,730</u>

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 6 - INTER FUND BALANCES AND ACTIVITY**

Transfers to/from Other Funds

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement. Inter-fund transfers for the fiscal year ended June 30, 2007, consisted of the following:

<u>Transfers (to) from</u>	<u>General Fund</u>	<u>Non-Major Governmental</u>	<u>Business- Type</u>
Hotel tax	\$ 17,668	( \$ 17,668)	
Harbor service	174,000	( 174,000)	
Parking meter fund	20,000	( 20,000)	
Cemetery	36,000	( 36,000)	
Waterways	49,000	( 49,000)	
Foundation Aid	3,000	( 3,000)	
WPCF enterprise	965,000		(\$965,000)
Offset receipts	<u>107,892</u>	( <u>107,892</u> )	<u>          </u>
Subtotal transfers	<u>\$1,372,560</u>	<u>(\$407,560)</u>	<u>(\$965,000)</u>
 <u>Transfers (from) to:</u>			
Community Development	(\$ 62,662)	\$ 62,662	
Middle School	( <u>216,183</u> )	<u>216,183</u>	<u>          </u>
Subtotal transfers	( <u>278,845</u> )	<u>278,845</u>	<u>-</u>
Subtotal transfers	<u>\$1,093,715</u>	<u>(\$128,715)</u>	<u>(\$965,000)</u>

In the statement of activities, portions of transfers from business-type activities attributable to fringe benefits, retirement, and insurance have been allocated to functional accounts as follows:

	<u>WPCF</u>
Gross transfers	(\$965,000)
Expenses allocated	<u>167,764</u>
Net transfers	<u>(\$797,236)</u>

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 7 - LEASES**

Capital Leases

The Town has entered into a lease agreement as lessee for financing the acquisition of school transportation equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
School transportation equipment	\$605,317
Less: Accumulated depreciation	( 189,162)
Total	<u>\$416,155</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2008	\$132,003
2009	<u>132,003</u>
Total minimum lease payments	264,006
Less: amount representing interest	( 14,202)
Present value of minimum lease payments	<u>\$249,804</u>

**NOTE 8 - SHORT-TERM FINANCING**

Under state law and with the appropriate local authorization, the Town is authorized to borrow funds on a temporary basis as follows:

1. To fund current operations prior to the collection of revenues, by issuing revenue anticipation notes (RANS).
2. To fund federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANS and SANS).
3. To fund capital project costs incurred prior to selling permanent debt by issuing bond anticipation notes (BANS).
4. To fund grants prior to reimbursement by issuing grant anticipation notes (GANS).

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 8 - SHORT-TERM FINANCING - Continued**

Temporary loans are general obligations of the Town and carry maturity dates which are limited by statute. Interest expenditures for temporary borrowings of governmental funds were \$381,422 and expenditures for temporary borrowing of Business-type funds were \$895,018. When paid, such expenditures are accounted for in the General Fund and Enterprise Fund, respectively . As of June 30, 2007, the Town had outstanding the following loans:

	<u>Interest Rates</u>	<u>BANS</u>
Outstanding 7/1/2006	1.75-2.50%	\$11,214,000
Issued	4.5%	80,000
Retired	1.75-4.50%	<u>11,214,000</u>
Balance 6/30/2007		<u>\$ 80,000</u>

Short term debt was issued for the following purposes:

Education	<u>\$80,000</u>
Total	<u>\$80,000</u>

All short term notes are expected to be refinanced on their due date under substantially similar terms as the existing notes and subsequently bonded.

**NOTE 9 - LONG-TERM DEBT**

The Town is subject to debt limits established Massachusetts General Laws Chapter 44, Section 10. Such limits are equal to 5% and 10% of the equalized valuation of taxable property and are known as debt issued inside and outside the debt limit. Details related to outstanding indebtedness at June 30, 2007, and debt service requirements follow.

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 9 - LONG-TERM DEBT - Continued**

**A. Bonds Payable**

<u>Purpose of Bonds</u>	<u>Interest Rates</u>	<u>Balance 6/30/2006</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 6/30/2007</u>
<u>Governmental Funds:</u>					
Public library construction	6.1-7.5%	\$ 265,000		\$ 70,000	\$ 195,000
Multi-purpose	3.85-5.25%	5,581,000		1,554,000	4,027,000
Septic-management #1		141,316		10,872	130,444
Septic-management #2		157,668		10,602	147,066
Multi-purpose	3.125-4.875%	1,125,000		105,000	1,020,000
Multi-purpose	3.5-5.0%	3,300,000		305,000	2,995,000
Septic-management #3		175,729		9,525	166,204
Multi-purpose	4.0-5.0%	<u>                    </u>	<u>\$1,420,000</u>	<u>                    </u>	<u>1,420,000</u>
Total governmental funds		<u>\$10,745,713</u>	<u>\$1,420,000</u>	<u>\$2,064,999</u>	<u>\$10,100,714</u>
<u>Business-type Funds:</u>					
Sewer design & construction	3.125-4.875%	\$ 2,395,000		\$ 150,000	\$ 2,245,000
Sewer design & construction	3.85-5.25%	1,254,000		106,000	1,148,000
Sewer design & construction	6.0%	218,488		15,607	202,881
Sewer design & construction	6.0%	140,150		28,030	112,120
Sewer design & construction	5.875%	57,000		9,500	47,500
MWPAT construction	variable	5,748,787		602,255	5,146,532
MWPAT construction	3.7-5.6%	8,427,328		399,778	8,027,550
MWPAT construction	3.7-5.6%	11,380,796		502,729	10,878,067
Sewer planning	3.5-5.0%	565,000		35,000	530,000
Sewer, Weweantic	3.75-4.0%	3,305,000		170,000	3,135,000
Sewer, Pump Station	3.75-4.0%	800,000		40,000	760,000
Sewer	4.0-5.0%		\$1,000,000		1,000,000
MWPAT construction		<u>                    </u>	<u>6,883,209</u>	<u>                    </u>	<u>6,883,209</u>
Total business-type funds		<u>\$34,291,549</u>	<u>\$7,883,209</u>	<u>\$2,058,899</u>	<u>\$40,115,859</u>

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 9 - LONG-TERM DEBT - Continued**

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

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 2,476,003	\$ 419,914	\$ 2,563,985	\$ 1,503,689
2009	2,535,999	294,304	2,610,176	1,421,949
2010	905,999	214,607	2,625,668	1,336,020
2011	845,999	176,600	2,668,535	1,246,708
2012	515,999	141,050	2,635,133	1,155,514
2013-2017	1,875,499	420,864	11,771,529	4,191,526
2018-2022	825,216	122,462	10,243,254	1,842,081
2023-2027	<u>120,000</u>	<u>5,500</u>	<u>4,997,579</u>	<u>209,327</u>
Totals	<u>\$10,100,714</u>	<u>\$1,795,301</u>	<u>\$40,115,859</u>	<u>\$12,906,814</u>

The Commonwealth of Massachusetts has approved school building assistance grant reimbursements for the Wareham high school which is financed with outstanding debt. This assistance program, administered by the Massachusetts School Building Authority (MSBA) provides resources for future debt service payments for approved projects. During the fiscal year ended June 30, 2007 the Town received \$1,171,856 of such assistance(interest reimbursement of \$130,609 is reflected in current year operating grants for education) and an additional \$3,515,573 (\$3,429,052 in principal and \$86,521 in interest) has been committed for the period July 1, 2007 through June 30, 2010. An intergovernmental receivable in the amount of \$3,429,052 has been reported in both the statement of net assets and balance sheet for high school assistance.

The School Building Authority has also approved funding in the amount of \$21,165,157 for the Wareham middle school renovation. At June 30, 2007, the outstanding balance of \$329,492 has been recorded as part of intergovernmental receivables in the general fund. In the current year, the Town has recognized educational operating grant income of \$106,981 for interest and an educational capital contribution of \$222,511 to offset applicable middle school renovation costs.

The Town reflects interest on general long-term liabilities as an indirect expense. However, interest on debt related to the construction or rehabilitation of major assets is included in direct expense in those limited instances when borrowing is essential to the creation or continuing existence of a program. These financial statements reflect \$316,882 of interest expense related to the High School renovation and construction as part of direct education expense.

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 9 - LONG-TERM DEBT - Continued**

**B. Interest Expense**

Total governmental interest expense for the year from temporary and long-term debt was \$545,303 including the \$450,699 charged to education. Total business type interest expense was \$1,531,011 which includes an interest subsidy of \$777,361 from the Massachusetts Water Pollution Abatement Trust (MWPAT).

**C. Overlapping Debt**

The Town pays assessments which include debt service payments to other governmental agencies providing services to the Town (commonly referred to as overlapping or conduit debt). The following summary sets forth the debt of such governmental agencies and the estimated share being financed by the Town as of June 30, 2007.

<u>Agency</u>	<u>Debt Outstanding</u>	<u>Town's Estimated Share</u>	<u>Town's Indirect Debt</u>
Upper Cape Cod Regional- Vocational School	<u>\$2,143,000</u>	24.68%	<u>\$528,892</u>

**D. Loans Authorized and Unissued**

The Town's authorized and unissued debt as of June 30, 2007 consists of the following:

<u>Purpose</u>	<u>Amounts Authorized</u>	<u>Amounts Unissued</u>	<u>Amounts to be Rescinded</u>
Up-grade water pollution control facility	\$24,300,000	\$ 355,624	\$ 355,624
Wareham Middle School	22,587,793	262,631	
Sewer System Weweantic Shores	4,200,000	200,000	200,000
Sewer	7,200,000	1,000,800	1,000,800
Land acquisition	550,000	65,184	65,184
School remodeling	410,000	410,000	410,000
Highways	2,100,000	2,100,000	
Septic Systems	200,000	200,000	
Sewer Planning	<u>1,500,000</u>	<u>1,000,000</u>	
Totals	<u>\$63,047,793</u>	<u>\$5,549,239</u>	<u>\$2,031,608</u>

The Town intends to rescind amounts authorized in excess of actual borrowing for completed projects.

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 9 - LONG-TERM DEBT - Continued**

<u>Description and purpose</u>	<u>Balance</u> <u>6/30/2006</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2007</u>	<u>Due in</u> <u>One Year</u>
<u>Government activities:</u>					
Bonds payable	\$10,745,713	\$1,420,000	\$2,064,999	\$10,100,714	\$4,304,253
Notes payable	6,714,000	\$80,000	6,714,000	80,000	80,000
Compensated absences	1,771,398		272,219	1,499,179	250,000
Capital lease obligation	367,947		118,143	249,804	122,593
Special termination benefits	1,761,582		111,051	1,650,531	114,658
Capital acquisition	<u>1,100,000</u>	_____	_____	<u>1,100,000</u>	<u>1,100,000</u>
Governmental activity					
Long-term liabilities	<u>\$22,460,640</u>	<u>\$1,500,000</u>	<u>\$9,280,412</u>	<u>\$14,680,228</u>	<u>\$5,971,504</u>
<u>Business-type activities:</u>					
Bonds payable	\$34,291,549	\$7,883,209	\$2,058,899	\$40,115,859	\$2,155,734
Notes payable	<u>4,500,000</u>	_____	<u>4,500,000</u>	_____	_____
Business-type activity					
Long-term liabilities	<u>\$38,791,549</u>	<u>\$7,883,209</u>	<u>\$6,558,899</u>	<u>\$40,115,859</u>	<u>\$2,155,734</u>

The governmental activities long-term liabilities are generally liquidated by the general fund.

**NOTE 10 - RISK FINANCING**

Property and general liability insurance is acquired from commercial insurance carriers and is accounted for in the general fund. The Town is self-insured for its health and dental (including public safety employees injured on duty) liability. Self-insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenditures are recognized when a liability is incurred.

A. Health Insurance

Effective July 1, 2004, the Town adopted the use of an internal service fund accumulate resources and pay claims for health related insurance. The Town estimates Incurred But Not Reported (IBNR) claims as one and one half months average monthly health costs and one month of average monthly dental cost. At June 30, 2007, the Town's health IBNR liability totaled \$286,699. Funding is provided by annual appropriation from the general fund and by employee contributions. Changes in the reported liabilities since July 1, 2006 are as follows:

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 10 - RISK FINANCING - Continued**

Liability balance June 30, 2006	\$ 662,253
Claims and changes in estimates	6,372,631
Claims payments	( 6,748,185)
Liability balance June 30, 2007	<u>\$ 286,699</u>

A stop loss insurance contract executed with Standard Security Life Insurance Company of New York sets the maximum liability to the Town at \$80,000 per claim per year. The plan administrator is Blue Cross Blue Shield of Massachusetts, Inc.

**B. Workers Compensation**

The Town does not self insure for workers compensation.

**NOTE 11 - PLYMOUTH COUNTY RETIREMENT SYSTEM PENSION PLAN**

**A. Plan Description**

The Town contributes to the Plymouth County Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth County Retirement Board. Substantially all employees are members of the System except for public school teachers who are members of the Commonwealth of Massachusetts Teachers Contributory Retirement System (MTCRS) to which the Town does not contribute. Contributions to the MTCRS are funded by the Commonwealth of Massachusetts. During the current year, the Town has recorded Intergovernmental - State income and an equal retirement expense of \$3,803,503 within the general fund.

The System and MTCRS are contributory defined benefit plans and membership in both the System and MTCRS is mandatory immediately upon commencement of employment for all permanent, full-time employees. The system provides retirement, disability and death benefits to plan members and beneficiaries.

Chapter 32 of the Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions of the plan. Cost of living increases are authorized and funded by the State. The accounting records of the System are maintained on a calendar year basis and the System issues a publicly available financial report in accordance with guidelines established by the Commonwealth of Massachusetts Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 11 South Russell Street, Plymouth, MA 02360.

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 11 - PLYMOUTH COUNTY RETIREMENT SYSTEM PENSION PLAN - Continued**

**B. Funding Policy**

Plan members are required to contribute to the System at rates from 5% to 9% of their annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution plus administrative costs which are apportioned among the employers based on active current payroll as determined by the Public Employees Retirement Administration Commission. The contribution of plan members and the Town are governed by Chapter 332 of the MGL. The Town's contributions to the System for the years ended June 30, 2007, 2006, 2005, 2004, 2003, and 2002 were \$2,016,728, \$1,838,199, \$1,438,355, \$1,227,115, \$1,083,128, and \$1,051,729 respectively, which equaled its required contribution for each year.

**NOTE 12 - COMMITMENTS**

The Town is obligated under the terms of several significant contracts as follows:

	<u>Spent to</u> <u>June 30, 2007</u>	<u>Remaining</u> <u>Commitment</u>
<u>Governmental Activities:</u>		
Oak Grove School	<u>\$1,680,663</u>	<u>\$142,337</u>
<u>Business-type Activities:</u>		
Sewer Project Design	<u>\$458,640</u>	<u>\$686,360</u>

Construction projects included in governmental activities are substantially funded with general obligation bond proceeds. See Note 8 for SBAB assistance on school construction and bond payments. Business-type projects are likewise substantially funded with proceeds from bond proceeds and paid from user rates.

**NOTE 13 - CONTINGENCIES**

Numerous lawsuits are pending or threatened against the Town, which arose from the ordinary course of operations, including actions commenced and claims asserted against it for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. The Town and its legal counsel estimate the unrecorded potential claims against the Town, not covered by insurance, would not materially affect the general-purpose financial statements. The Town receives financial assistance from federal and state agencies in the form of grants for specified use in accordance with the grant agreements. Any disallowed costs incurred by the grants could become a liability of the general fund. Based on prior experience, Town officials believe such disallowances, if any, would not have a material effect on the general-purpose financial statements.

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 14 - JOINT VENTURE**

Upper Cape Cod Regional Technical High School is considered a joint venture operation. Government Accounting Standards Board (GASB) Statement #14 provides the following definition of a joint venture: A joint venture is a legal entity that results from a contractual arrangement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an on-going financial responsibility.

Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture. A participating government has an on-going financial responsibility for a joint venture if it is obligated in some manner for the debts of the joint venture, or if the joint venture's continued existence depends on continued funding by the government.

**A. Specific Activity Subject to Joint Control**

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 committees by law.

**B. On-going Financial Responsibility**

Annual assessments are levied by the District against member towns based on relative enrollment. Wareham's annual assessment for the current year was 1,687,985. The district's financial statements are audited by another independent accounting firm on an annual basis. These financial statements are not examined by the Town's independent auditors. Financial statements are available at Upper Cape Cod Regional Technical School, 220 Sandwich Road, Bourne, Massachusetts.

**NOTE 15 - NET ASSET RESTATEMENT**

During the year the Town implemented the requirements of Government Accounting Standards Board (GASB) Statement #34 relating to the capitalization of infrastructure. Beginning net assets for governmental activities have been restated as follows:

Net assets as previously stated	\$52,542,581
Capitalization of infrastructure	<u>32,055,324</u>
Net assets as restated	<u>\$84,597,905</u>

**TOWN OF WAREHAM, MASSACHUSETTS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF WAREHAM, MASSACHUSETTS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2007**

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Budgetary <u>Amounts</u>
Budgetary balances, beginning	\$ 193,960	\$ 193,960	\$ 193,960
<b>Resources</b>			
Property taxes	26,240,761	25,917,147	25,999,637
Excises	2,627,500	2,735,500	2,271,158
Interest and penalties	575,000	575,000	359,909
Departmental	630,000	630,000	356,392
Charges for services	430,000	430,000	649,906
Licenses and permits	1,310,900	1,310,900	980,309
Intergovernmental	15,548,169	15,591,024	16,424,429
Fines and forfeitures	110,000	110,000	103,204
Investment income	465,000	465,000	383,297
Miscellaneous	513,000	513,000	213,515
Other available funds	-	1,077,857	1,077,857
Operating transfers in	1,099,000	1,646,142	1,372,560
Total available for appropriation	<u>49,743,290</u>	<u>51,195,530</u>	<u>50,386,133</u>
<b>Appropriations</b>			
General government	3,481,179	3,553,899	3,408,267
Public safety	5,484,414	5,323,834	5,265,660
Education	26,139,115	26,580,323	26,109,484
Public works	1,489,536	1,457,032	1,463,185
Human services	531,618	567,984	558,026
Culture and recreation	976,329	860,149	820,611
Debt service	3,082,500	2,722,650	2,510,291
Intergovernmental charges	980,927	1,490,001	1,411,110
Employee benefits	480,500	497,034	438,157
Retirement contribution	2,032,728	2,037,368	2,037,368
Insurance	678,660	674,478	674,478
Operating transfers out	4,169,382	4,622,044	4,838,227
Other financing uses	216,402	808,734	808,734
Total charges to appropriations	<u>49,743,290</u>	<u>51,195,530</u>	<u>50,343,598</u>
Net change in budgetary amounts	<u>\$ -</u>	<u>\$ -</u>	42,535
Add: revenue short fall			809,397
Less: departmental underspending			(519,126)
Less: prepay and accrual adjustments			(222,346)
Add: amounts to be raised in subsequent year			46,255
Budgetary balances, ending			<u>\$ 156,715</u>

**TOWN OF WAREHAM, MASSACHUSETTS**

**SINGLE AUDIT**



# Claude Boudwin LLC

CERTIFIED PUBLIC ACCOUNTANT

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Claude.Boudwin@cpbllc.com

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Selectmen  
Town of Wareham  
Wareham, Massachusetts

### Compliance

I have audited the compliance of the Town of Wareham, Massachusetts with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The Town of Wareham, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Wareham, Massachusetts' management. My responsibility is to express an opinion on Town of Wareham, Massachusetts' compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Wareham, Massachusetts' compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Town of Wareham, Massachusetts' compliance with those requirements.

In my opinion, the Town of Wareham, Massachusetts complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.



To the Board of Selectmen  
Town of Wareham, Massachusetts

### **Internal Control Over Compliance**

The management of the Town of Wareham, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Town of Wareham, Massachusetts' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, Board of Selectman, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Claude Boudin LLC*

June 12, 2008

**TOWN OF WAREHAM, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Number	Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Massachusetts Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	305-320-7-0310-H	\$ 583,541
Title I Grants to Local Educational Agencies	84.010	305-435-7-0310-H	156,405
Title I Grants to Local Educational Agencies	84.010	30515860310G	85,465
Special Education - Grants to States	84.027	274-219-7-0310-H	29,744
Special Education - Grants to States	84.027	240-173-7-0310-H	743,108
Special Education - Grants to States	84.027	242-039-7-0310-H	1,500
Special Education - Grants to States	84.027	24030860310G	29,238
Special Education - Grants to States	84.027	21608060310G	8,487
Title VI	84.151	302-294-7-0310-H	1,072
Title VI	84.151	30207660310G	5,712
Safe and Drug-Free Schools and Communities - State Grants	84.186	331-224-7-0310-H	18,706
Twenty-First Century Community Learning Centers	84.287	64703060310G	54,545
Twenty-First Century Community Learning Centers	84.287	64706660310G	12,745
Twenty-First Century Community Learning Centers	84.287	64710460310G	9,000
Twenty-First Century Community Learning Centers	84.287	647-013-7-0310-H	126,367
Education Technology State Grants	84.318	17002170310H	75,149
Education Technology State Grants	84.318	16024370310H	2,444
Education Technology State Grants	84.318	17000960310G	29,951
Education Technology State Grants	84.318	16011160310G	14,713
Mathematics And Science Partnerships	84.366	150-017-7-0310-H	43,962
Mathematics And Science Partnerships	84.366	15001160310G	56,912
Improving Teacher Quality State Grants	84.367	140-297-7-0310-H	177,236
Improving Teacher Quality State Grants	84.367	14009160310G	20,611
Community Service Partnerships	84.000	59500660310G	19,785
Community Service Partnerships	84.000	59501160310G	3,400
<i>Passed Through Massachusetts Department of Early Education and Care</i>			
Special Education - Grants to States	84.027	262Wareham	13,894
Total U.S. Department of Education			2,323,692
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Massachusetts Department of Education:</i>			
National School Lunch Program (NSLP)	10.555	Unavailable	563,615
Food Donation	10.550	Unavailable	46,590
Total U.S. Department of Agriculture			610,205

The accompanying schedule of findings and questioned costs is an integral part of this report.

**TOWN OF WAREHAM, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Public Safety Partnership and Community Policing Grants	16.710	Unavailable	14,630
			<u>14,630</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed Through Small Cities Program:</i>			
Community Development Block Grants/Small Cities Program	14.219	5514	1,125
Community Development Block Grants/Small Cities Program	14.219	5689	554,910
Total U.S. Department of Housing and Development			<u>556,035</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u><u>3,504,562</u></u></b>

The accompanying schedule of findings and questioned costs is an integral part of this report.

**TOWN OF WAREHAM, MASSACHUSETTS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2007**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Wareham, Massachusetts, and the Wareham Community Development Authority, a department of the Town, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**NOTE 2 - SUBRECIPIENTS**

The Town of Wareham, Massachusetts passed no federal awards to subrecipients during the current year.

**TOWN OF WAREHAM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007**

**I. SUMMARY OF THE AUDIT RESULTS**

- A. The auditor's report expresses an unqualified opinion on the basic financial statements of the Town of Wareham, Massachusetts.
- B. The following significant deficiency relating to the audit of the financial statements is reported; 2007.1 This finding is not considered to be material weaknesses.
- C. No instances of noncompliance material to the general-purpose financial statements of the Town of Wareham, Massachusetts were disclosed during the audit.
- D. No significant deficiencies in internal control over major programs were disclosed by the audit.
- E. The auditor's report on compliance for the major programs for the Town of Wareham, Massachusetts expresses an unqualified opinion.
- F. There were no audit findings relative to a major program which the auditor is required to report under §\_\_.510(a) of OMB Circular A-133.
- G. The programs tested as major programs were:
  - CFDA # 84.027—Special Education—grants to States (IDEA, Part B)Title I Grants to Local Educational Agencies
  - CFDA # 84.318—Education Technology State Grants
- H. The threshold for distinguishing Type A and B programs was \$300,000.
- I. The Town of Wareham, Massachusetts was a low-risk auditee.

**II. FINDINGS - GENERAL-PURPOSE FINANCIAL STATEMENT AUDIT**

**FINDING: 2007.1 Cash Receipts**

During the year, the Town installed a new accounting system which required changes in the manner of posting cash receipts. We noted that several cash receipts were posted to incorrect accounts and, more importantly, to incorrect funds. The audit identified a total of \$122,436 that was incorrectly posted in the Town's general ledger and which increased the general fund balance. Mis postings were for receipts related to state assessments, police detail, and health insurance in the amounts of \$31,200, \$68,291, and \$22,945 respectively.

**III. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS**

None