

TOWN OF WAREHAM, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2012

TOWN OF WAREHAM, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements	12
Statement of Net Assets	13
Statement of Activities	14
Governmental funds – balance sheet	16
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net assets	17
Governmental funds – statement of revenues, expenditures and changes in fund balances	18
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities.....	19
Proprietary funds – statement of net assets	20
Proprietary funds – statement of revenues, expenses and changes in fund net assets	21
Proprietary funds – statement of cash flows.....	22
Fiduciary funds – statement of fiduciary net assets.....	23
Fiduciary funds – statement of changes in fiduciary net assets	24
Notes to basic financial statements	25
Required Supplementary Information.....	51
Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual	52
<i>Retirement System Schedules of Funding Progress and Employer Contributions</i>	54
Schedule of Funding Progress.....	55
Schedule of Employer Contributions.....	56
<i>Other Postemployment Benefits Plan Schedules</i>	57
Other postemployment benefit plan schedule of funding progress and employer contributions	58
Other postemployment benefit plan actuarial methods and assumptions	59
Notes to required supplementary information.....	60



100 Quannapowitt Parkway
Suite 101

Wakefield, MA 01880

T. 781-914-1700

F. 781-914-1701

www.powersandsullivan.com

Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Wareham, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wareham, Massachusetts, as of and for the fiscal year ended June 30, 2012 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Wareham, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Wareham, Massachusetts, as of June 30, 2012, and the respective changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012, on our consideration of the Town of Wareham, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financials statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Powers & Sullivan, LLC

December 7, 2012

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Wareham, we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

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

Financial Highlights

- The Town's assets exceeded its liabilities at the close of fiscal 2012 by \$130.7 million (net assets).
- At the end of fiscal 2012, unassigned fund balance for the general fund was \$2.4 million or 4.3% of total general fund expenditures.
- The General Fund operations resulted in a \$1.7 million increase in fund balance.
- Wareham's long-term debt increased by \$3.2 million during the year. This is directly attributable to the net effect of \$1.3 million of governmental and \$5.3 million of enterprise debt issued in the current year, offset by \$3.4 million in principle paydowns. See Note 8 for more information.
- The Town's Other Postemployment Benefit liability increased by \$4.1 million during FY2012 to a balance of \$17.3 million.
- At fiscal year end the Town's Internal Service fund balance was \$654 thousand after taking into consideration \$724 thousand of "Incurred but not Reported" liability.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements have no component units.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs.

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

Government-wide Financial Analysis

Governmental Activities

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As noted below, assets exceeded liabilities by approximately \$70.3 million at the close of fiscal year 2012.

		FY2012		FY2011
		Governmental		Governmental
		Activities		Activities
Assets:				
Current assets.....	\$	17,776,325	\$	19,561,972
Noncurrent assets (excluding capital).....		2,265,583		2,390,275
Capital assets.....		77,216,943		77,542,589
Total assets.....		97,258,851		99,494,836
Liabilities:				
Current liabilities (excluding debt).....		4,578,268		3,125,265
Noncurrent liabilities (excluding debt).....		17,795,000		13,862,916
Current debt.....		701,315		1,840,277
Noncurrent debt.....		3,900,101		3,186,190
Total liabilities.....		26,974,684		22,014,648
Net Assets:				
Capital assets net of related debt.....		72,723,117		73,163,092
Restricted.....		4,502,466		5,665,649
Unrestricted.....		(6,941,416)		(1,348,553)
Total net assets.....	\$	70,284,167	\$	77,480,188

A significant portion of the Town's governmental net assets, \$72.7 million, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets, \$4.5 million, represents resources that are subject to external restrictions on how they may be used. The Town has \$10 million of unrestricted net assets without considering the recorded liability related to other postemployment benefits of \$16.9 million. The OPEB liability is long-term in nature, and will not be funded from the \$10 million of unrestricted net assets at June 30, 2012.

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

The governmental activities net assets decreased by \$7.2 million during the current fiscal year. This was primarily due to the Other Postemployment Benefit liability increasing by \$3.9 million, the fact that depreciation exceeded principal payments on bonds by \$2.7 million, the timing between the expenditure and reimbursement of various grants, an increase of \$172 thousand in the Incurred But Not Reported health claims accrual, and an increase of \$185 thousand in the compensated absence liability accrual. These decreases were offset by an operating surplus in the general fund of \$1.7 million and the receipt of \$990 thousand of capital grants. Key elements of change in net assets are as follows:

	FY2012 Governmental Activities	FY2011 Governmental Activities
Program revenues:		
Charges for services.....	\$ 4,186,248	\$ 4,818,405
Operating grants and contributions.....	24,047,330	24,962,426
Capital grants and contributions.....	989,776	932,327
General Revenues:		
Real estate and personal property taxes.....	30,645,102	29,809,147
Tax liens.....	577,478	170,555
Motor vehicle and other excise taxes.....	2,511,670	2,145,774
Penalties and interest on taxes.....	367,974	266,985
Community preservation surtax.....	581,557	580,779
Grants and contributions not restricted to specific programs.....	3,067,333	2,884,643
Unrestricted investment income.....	21,916	51,811
Gain/(loss) on sale of capital assets.....	-	22,100
Miscellaneous.....	143,336	30,558
Total revenues.....	67,139,720	66,675,510
Expenses:		
General government.....	8,048,251	7,219,836
Public safety.....	9,896,937	9,439,666
Education.....	50,741,799	49,688,703
Public works.....	3,768,146	3,964,558
Human services.....	1,115,339	1,088,248
Community preservation.....	134,085	94,124
Culture and recreation.....	942,848	869,534
Interest.....	154,355	166,994
Total expenses.....	74,801,760	72,531,663
Excess (Deficiency) before transfers.....	(7,662,040)	(5,856,153)
Transfers.....	466,019	462,225
Change in net assets.....	\$ (7,196,021)	\$ (5,393,928)

The governmental expenses totaled \$74.8 million of which \$29.2 million (39%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$37.9 million, primarily consisting of property taxes, motor vehicle excise and non-restricted state aid.

Business-type activities – Water Pollution Control

Business-type activities assets exceeded liabilities by \$60.4 million as the close of fiscal year 2012. The following table identifies key elements of the enterprise operations:

	FY2012 Business-type Activities	FY2011 Business-type Activities
Assets:		
Current assets.....	\$ 11,473,586	\$ 9,029,629
Noncurrent assets (excluding capital).....	17,564,157	19,629,453
Capital assets.....	70,494,567	71,731,766
Total assets.....	99,532,310	100,390,848
Liabilities:		
Current liabilities (excluding debt).....	643,220	2,118,075
Noncurrent liabilities (excluding debt).....	419,000	330,000
Current debt.....	3,045,362	5,439,519
Noncurrent debt.....	35,051,134	32,761,225
Total liabilities.....	39,158,716	40,648,819
Net Assets:		
Capital assets net of related debt.....	41,878,626	41,853,259
Unrestricted.....	18,494,968	17,888,770
Total net assets.....	\$ 60,373,594	\$ 59,742,029
Program revenues:		
Charges for services.....	\$ 6,446,187	\$ 5,799,879
Capital grants and contributions.....	681,552	7,387,891
General Revenues:		
Unrestricted investment income.....	14,454	1,158
Total revenues.....	7,142,193	13,188,928
Expenses:		
Water Pollution Control Facility.....	6,044,609	5,846,801
Excess (Deficiency) before transfers.....	1,097,584	7,342,127
Transfers.....	(466,019)	(462,225)
Change in net assets.....	\$ 631,565	\$ 6,879,902

Business-type net assets of \$41.9 million (69.4%) represent the investment in capital assets, while \$18.5 million (30.6%) is unrestricted. The Town's business-type activity net assets increased by \$632 thousand in the current fiscal year, this is primarily due to a \$646 thousand increase in charges for services, the recognition of \$88 thousand of betterment revenue, the receipt of \$101 thousand related to Union Pond permit mitigation revenue, offset by a transfer to the general fund for indirect costs associated with the operations of the Water Pollution Control Facility.

Financial Analysis of the Town's Governmental Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$8.5 million, of which \$2.8 million relates to the general fund and \$5.7 million relates to the nonmajor funds. Cumulatively there was an increase of \$1.2 million in fund balances from the prior year that is due to the net of an increase of \$1.7 million in the general fund and a decrease of \$535 thousand in the nonmajor fund.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2.4 million, while total fund balance was \$2.8 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 4.3% of total general fund expenditures, while total fund balance represents 4.9% of that same amount. During fiscal year 2012, the fund balance of the general fund increased by \$1.7 million. This increase was primarily due to the collection of \$531 thousand of tax lien revenue, tax levy of \$843 thousand raised for prior year deficits, and a transfer from the Ambulance fund of approximately \$320 thousand.

The internal service fund ending net assets was \$654 thousand. This is a decrease of \$2.1 million over the prior year primarily due to the Town instituting an 8 week health care premium holiday in which employees and retirees were not required to make contributions to the fund.

General Fund Budgetary Highlights

During the year there was an increase of \$315 thousand in appropriations between the original and final amended budget. This was the net result of various appropriation increases and decreases at the fall Town Meeting primarily within public safety, public works, employee benefits and debt service.

Capital Asset and Debt Administration

Capital Asset Administration

The Town of Wareham's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$147,711,510 (net of depreciation). This investment in capital assets includes land, buildings, improvements to land and buildings, machinery and equipment, and infrastructure.

The total decrease in the Town of Wareham's investment in capital assets for the current year was (\$1,562,845) which consisted of a decrease of (\$325,646) for governmental activities and a decrease of (\$1,237,199) in the business-type activities. The decrease in governmental assets and business-type activities is due to current year depreciation exceeding current year additions.

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

ASSETS	Governmental activities		Business-type activities	
	2012	2011	2012	2011
Land.....	\$ 5,150,014	\$ 4,501,889	\$ 4,842,708	\$ 4,842,708
Construction in progress.....	-	-	-	5,072,858
Buildings.....	37,268,953	38,495,183	24,561,731	25,161,370
Land Improvements.....	2,746,625	2,962,337	-	-
Machinery and equipment.....	2,086,088	2,255,110	3,791,592	4,168,183
Infrastructure.....	29,965,263	29,328,070	37,298,536	32,486,647
Total assets	\$ 77,216,943	\$ 77,542,589	\$ 70,494,567	\$ 71,731,766

Debt Administration

At the end of the current fiscal year, the Town of Wareham had total debt outstanding of \$42,697,912. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the government. Of this amount \$165,226 is in short term notes, and the remaining \$42,532,686 is in outstanding long-term bonds. During fiscal 2012, the Town retired long-term debt of \$3,426,026.

The Town has authorized but unissued debt of \$7,273,000.

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

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

Economic Factors and Next Year's Budget

Major factors considered in preparing the Town's 2013 budget were:

- Significant increases in employee benefits,
- Level funded State Aid with a potential for reductions,
- Reduced local receipts as a result of the current and anticipated economic downturn,
- No longer using non-recurring revenue to balance the budget.

The FY 2013 budget represented a balance of fiscal prudence while continuing to deliver necessary services to the citizens of Wareham.

The Town continued to appropriate money to the Stabilization Fund even in the face of budgetary cuts.

For FY 2013, the water pollution control EDU (Equalized Dwelling Unit) rates remained at \$5.96.

Requests for Information

This financial report is designed to provide a general overview of the Town of Wareham's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant at Wareham Town Hall, 54 Marion Road, Wareham, Massachusetts 02571.

This page intentionally left blank.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 11,815,084	\$ 8,224,284	\$ 20,039,368
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	659,159	-	659,159
Tax liens.....	1,992,682	279,148	2,271,830
Motor vehicle excise taxes.....	576,986	-	576,986
User fees.....	-	1,014,515	1,014,515
Loans.....	92,534	-	92,534
Departmental and other.....	712,522	-	712,522
Special assessments.....	58,000	613,067	671,067
Intergovernmental.....	1,014,634	1,342,572	2,357,206
Tax foreclosures.....	487,888	-	487,888
Working capital deposit.....	90,600	-	90,600
Other assets.....	276,236	-	276,236
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	6,128,035	6,128,035
Special assessments.....	381,960	11,436,122	11,818,082
Loans.....	1,883,623	-	1,883,623
Capital assets, non-depreciable.....	5,150,014	4,842,708	9,992,722
Capital assets, depreciable.....	72,066,929	65,651,859	137,718,788
TOTAL ASSETS.....	97,258,851	99,532,310	196,791,161
LIABILITIES			
CURRENT:			
Warrants payable.....	2,240,255	137,895	2,378,150
Health claims payable.....	724,367	-	724,367
Tax refunds payable.....	212,000	-	212,000
Accrued interest.....	27,038	454,325	481,363
Payroll withholdings.....	341,719	-	341,719
Other liabilities.....	15,973	-	15,973
Capital lease obligations.....	94,916	-	94,916
Compensated absences.....	922,000	51,000	973,000
Notes payable.....	165,226	-	165,226
Bonds payable.....	536,089	3,045,362	3,581,451
NONCURRENT:			
Compensated absences.....	888,000	33,000	921,000
Other postemployment benefits.....	16,907,000	386,000	17,293,000
Bonds payable.....	3,900,101	35,051,134	38,951,235
TOTAL LIABILITIES.....	26,974,684	39,158,716	66,133,400
NET ASSETS			
Invested in capital assets, net of related debt.....	72,723,117	41,878,626	114,601,743
Restricted for:			
Streets.....	404,255	-	404,255
Community preservation.....	2,076,270	-	2,076,270
Permanent funds:			
Expendable.....	273,597	-	273,597
Nonexpendable.....	348,441	-	348,441
Grants and gifts.....	1,399,903	-	1,399,903
Unrestricted.....	(6,941,416)	18,494,968	11,553,552
TOTAL NET ASSETS.....	\$ 70,284,167	\$ 60,373,594	\$ 130,657,761

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2012

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
Governmental Activities:						
General government.....	\$ 8,048,251	\$ 1,470,801	\$ 788,082	\$ 719,157	\$ (5,070,211)	
Public safety.....	9,896,937	1,143,036	208,122	-	(8,545,779)	
Education.....	50,741,799	1,153,949	22,821,638	-	(26,766,212)	
Public works.....	3,768,146	147,491	8,687	75,611	(3,536,357)	
Human services.....	1,115,339	201,331	133,530	-	(780,478)	
Community preservation.....	134,085	-	-	195,008	60,923	
Culture and recreation.....	942,848	69,640	87,271	-	(785,937)	
Interest.....	154,355	-	-	-	(154,355)	
Total Governmental Activities.....	74,801,760	4,186,248	24,047,330	989,776	(45,578,406)	
Business-Type Activities:						
Water Pollution Control Facility.....	6,044,609	6,446,187	-	681,552	1,083,130	
Total Primary Government.....	\$ 80,846,369	\$ 10,632,435	\$ 24,047,330	\$ 1,671,328	\$ (44,495,276)	

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (45,578,406)	\$ 1,083,130	\$ (44,495,276)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	30,645,102	-	30,645,102
Tax liens.....	577,478	-	577,478
Motor vehicle and other excise taxes.....	2,511,670	-	2,511,670
Penalties and interest on taxes.....	367,974	-	367,974
Community preservation surtax.....	581,557	-	581,557
Grants and contributions not restricted to specific programs.....	3,067,333	-	3,067,333
Unrestricted investment income.....	21,916	14,454	36,370
Miscellaneous.....	143,336	-	143,336
<i>Transfers, net</i>	466,019	(466,019)	-
Total general revenues and transfers.....	38,382,385	(451,565)	37,930,820
Change in net assets.....	(7,196,021)	631,565	(6,564,456)
<i>Net Assets:</i>			
Beginning of year.....	77,480,188	59,742,029	137,222,217
End of year.....	\$ <u>70,284,167</u>	\$ <u>60,373,594</u>	\$ <u>130,657,761</u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2012

ASSETS	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents.....	\$ 3,899,716	\$ 6,511,684	\$ 10,411,400
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	649,406	9,753	659,159
Tax liens.....	1,976,371	16,311	1,992,682
Motor vehicle excise taxes.....	576,986	-	576,986
Departmental and other.....	383,445	329,077	712,522
Special assessments.....	-	439,960	439,960
Intergovernmental.....	-	1,014,634	1,014,634
Loans.....	-	1,976,157	1,976,157
Tax foreclosures.....	487,888	-	487,888
TOTAL ASSETS.....	\$ 7,973,812	\$ 10,297,576	\$ 18,271,388
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 937,637	\$ 1,249,539	\$ 2,187,176
Tax refunds payable.....	212,000	-	212,000
Payroll withholdings.....	2,849	-	2,849
Other liabilities.....	14,717	1,256	15,973
Deferred revenues.....	3,989,580	3,175,512	7,165,092
Notes payable.....	-	165,226	165,226
TOTAL LIABILITIES.....	5,156,783	4,591,533	9,748,316
FUND BALANCES:			
Nonspendable.....	-	348,441	348,441
Restricted.....	-	5,357,602	5,357,602
Committed.....	170,759	-	170,759
Assigned.....	212,150	-	212,150
Unassigned.....	2,434,120	-	2,434,120
TOTAL FUND BALANCES.....	2,817,029	5,706,043	8,523,072
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 7,973,812	\$ 10,297,576	\$ 18,271,388

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

Total governmental fund balances.....	\$ 8,523,072
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	77,216,943
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....	7,165,092
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities.	
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....	654,204
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(27,038)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds payable.....	(4,436,190)
Capital lease obligations.....	(94,916)
Other postemployment benefits.....	(16,907,000)
Compensated absences.....	(1,810,000)
Net effect of reporting long-term liabilities.....	<u>(23,248,106)</u>
Net assets of governmental activities.....	<u>\$ 70,284,167</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ 30,867,011	\$ -	\$ 30,867,011
Community preservation surtax.....	-	596,234	596,234
Tax liens.....	530,686	9,130	539,816
Motor vehicle and other excise taxes.....	2,471,737	-	2,471,737
Charges for services.....	842,759	418,460	1,261,219
Penalties and interest on taxes.....	361,240	6,734	367,974
Fees and rentals.....	-	1,184,150	1,184,150
Licenses and permits.....	832,856	-	832,856
Fines and forfeitures.....	131,918	-	131,918
Intergovernmental.....	20,910,318	7,099,144	28,009,462
Departmental and other.....	144,133	1,172,384	1,316,517
Contributions.....	-	669,876	669,876
Investment income (loss).....	14,174	4,836	19,010
TOTAL REVENUES.....	57,106,832	11,160,948	68,267,780
EXPENDITURES:			
Current:			
General government.....	2,999,256	2,480,458	5,479,714
Public safety.....	5,568,274	1,423,814	6,992,088
Education.....	29,098,325	5,782,057	34,880,382
Public works.....	1,651,525	1,057,146	2,708,671
Human services.....	540,921	198,120	739,041
Community preservation.....	-	777,317	777,317
Culture and recreation.....	446,544	160,441	606,985
Pension benefits.....	8,664,351	-	8,664,351
Employee benefits.....	5,019,502	-	5,019,502
Claims and judgments.....	250,137	-	250,137
State and county charges.....	2,003,919	-	2,003,919
Debt service:			
Principal.....	477,525	75,000	552,525
Interest.....	113,245	36,551	149,796
TOTAL EXPENDITURES.....	56,833,524	11,990,904	68,824,428
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	273,308	(829,956)	(556,648)
OTHER FINANCING SOURCES (USES):			
Proceeds from bonds and notes.....	-	1,250,000	1,250,000
Transfers in.....	1,420,688	-	1,420,688
Transfers out.....	-	(954,669)	(954,669)
TOTAL OTHER FINANCING SOURCES (USES).....	1,420,688	295,331	1,716,019
NET CHANGE IN FUND BALANCES.....	1,693,996	(534,625)	1,159,371
FUND BALANCES AT BEGINNING OF YEAR.....	1,123,033	6,240,668	7,363,701
FUND BALANCES AT END OF YEAR.....	\$ 2,817,029	\$ 5,706,043	\$ 8,523,072

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds.....	\$ 1,159,371
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay.....	2,913,166
Depreciation expense.....	<u>(3,238,812)</u>
Net effect of reporting capital assets.....	(325,646)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>	
	(1,130,966)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>	
Proceeds from bonds and notes.....	(1,250,000)
Debt service principal payments.....	<u>552,525</u>
Net effect of reporting long-term debt.....	(697,475)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Net change in compensated absences.....	(185,000)
Net change in accrued interest on long-term debt.....	(4,559)
Net change in capital lease obligation.....	90,828
Net change in other postemployment benefits.....	<u>(3,970,000)</u>
Net effect of recording long-term liabilities and amortizing deferred losses.....	(4,068,731)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>	
The net activity of internal service funds is reported with Governmental Activities.....	<u>(2,132,574)</u>
Change in net assets of governmental activities.....	<u>\$ (7,196,021)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-type Activities	Governmental Activities - Internal Service Funds
	Water Pollution Control Facility	
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 8,224,284	\$ 1,403,684
Receivables, net of allowance for uncollectibles:		
User fees.....	1,014,515	-
Sewer liens.....	279,148	-
Departmental and other.....	-	276,236
Special assessments.....	613,067	-
Intergovernmental.....	1,342,572	-
Working capital deposit.....	-	90,600
Total current assets.....	11,473,586	1,770,520
NONCURRENT:		
Receivables, net of allowance for uncollectibles:		
Intergovernmental.....	6,128,035	-
Special assessments.....	11,436,122	-
Capital assets, non depreciable.....	4,842,708	-
Capital assets, depreciable.....	65,651,859	-
Total noncurrent assets.....	88,058,724	-
TOTAL ASSETS.....	99,532,310	1,770,520
LIABILITIES		
CURRENT:		
Warrants payable.....	137,895	53,079
Health claims payable.....	-	724,367
Accrued interest.....	454,325	-
Payroll withholdings.....	-	338,870
Compensated absences.....	51,000	-
Bonds payable.....	3,045,362	-
Total current liabilities.....	3,688,582	1,116,316
NONCURRENT:		
Compensated absences.....	33,000	-
Other postemployment benefits.....	386,000	-
Bonds payable.....	35,051,134	-
Total noncurrent liabilities.....	35,470,134	-
TOTAL LIABILITIES.....	39,158,716	1,116,316
NET ASSETS		
Invested in capital assets, net of related debt.....	41,878,626	-
Unrestricted.....	18,494,968	654,204
TOTAL NET ASSETS.....	\$ 60,373,594	\$ 654,204

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities	Governmental Activities - Internal Service Funds
	Water Pollution Control Facility	
<u>OPERATING REVENUES:</u>		
Employee contributions.....	\$ -	\$ 1,942,426
Employer contributions.....	-	4,399,890
Charges for services.....	6,362,080	-
Other.....	84,107	-
TOTAL OPERATING REVENUES	6,446,187	6,342,316
<u>OPERATING EXPENSES:</u>		
Cost of services and administration.....	2,294,438	-
Depreciation.....	2,421,879	-
Employee benefits	-	8,477,796
TOTAL OPERATING EXPENSES	4,716,317	8,477,796
OPERATING INCOME (LOSS).....	1,729,870	(2,135,480)
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Investment income.....	14,454	2,906
Interest expense.....	(1,328,292)	-
Intergovernmental.....	594,458	-
Betterments and interest on betterments.....	87,094	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(632,286)	2,906
INCOME (LOSS) BEFORE OPERATING TRANSFERS.....	1,097,584	(2,132,574)
<u>TRANSFERS:</u>		
Transfers out.....	(466,019)	-
CHANGE IN NET ASSETS.....	631,565	(2,132,574)
NET ASSETS AT BEGINNING OF YEAR.....	59,742,029	2,786,778
NET ASSETS AT END OF YEAR.....	\$ 60,373,594	\$ 654,204

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities	Governmental Activities - Internal Service Funds
	Water Pollution Control Facility	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users.....	\$ 6,430,749	\$ -
Receipts from interfund services provided.....	-	6,342,316
Payments to vendors.....	(1,462,966)	-
Payments to employees.....	(674,646)	-
Payments for interfund services used.....	-	(8,483,173)
NET CASH FROM OPERATING ACTIVITIES.....	4,293,137	(2,140,857)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Transfers out.....	(466,019)	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Proceeds from the issuance of bonds and notes.....	5,204,184	-
Acquisition and construction of capital assets.....	(2,693,583)	-
Principal payments on bonds and notes.....	(4,894,356)	-
Betterments and interest on betterments.....	1,387,129	-
Interest expense.....	(768,218)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,764,844)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investment income.....	14,454	2,906
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	2,076,728	(2,137,951)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	6,147,556	3,541,635
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 8,224,284	\$ 1,403,684
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>		
Operating income (loss).....	\$ 1,729,870	\$ (2,135,480)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation.....	2,421,879	-
Changes in assets and liabilities:		
Tax liens.....	97,802	-
User fees.....	(113,240)	-
Departmental and other.....	-	(200,138)
Working capital deposit.....	-	(5,300)
Other postemployment benefits obligation.....	91,000	-
Warrants payable.....	65,826	5,917
Health claims payable.....	-	172,759
Payroll withholdings.....	-	21,385
Total adjustments.....	2,563,267	(5,377)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 4,293,137	\$ (2,140,857)
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>		
Principal and interest intergovernmental subsidies.....	\$ (1,204,603)	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Private Purpose Trust Funds	Agency Funds
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 613,013	\$ 696,196
LIABILITIES		
Liabilities due depositors.....	-	652,493
Other liabilities.....	-	43,703
TOTAL LIABILITIES.....	-	696,196
NET ASSETS		
Held in trust for other purposes.....	\$ 613,013	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2012

	Private Purpose Trust Funds
<u>ADDITIONS:</u>	
Contributions.....	\$ 36,330
Investment income.....	<u>2,154</u>
TOTAL ADDITIONS.....	<u>38,484</u>
<u>DEDUCTIONS:</u>	
Educational scholarships.....	<u>53,391</u>
CHANGE IN NET ASSETS.....	(14,907)
NET ASSETS AT BEGINNING OF YEAR.....	<u>627,920</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 613,013</u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. It has been determined that there are no component units that meet the requirements for inclusion in the Town's financial statements.

Joint Venture – The Town has entered into a joint venture with other municipalities to pool resources and share costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The Town is a participant in the Upper Cape Cod Regional Technical School. The powers and duties of the regional school district are vested in and exercised by a regional school district committee composed of representatives of the member Towns of Bourne, Falmouth, Marion, Sandwich, and Wareham Massachusetts. The committee has all powers and duties conferred and imposed upon regional school district committee's by law. Annual assessments are levied by the District against member Towns based on the relative enrollment. The Town of Wareham's fiscal 2012 assessment totaled \$2,375,173. The District's financial statements are audited by another independent accounting firm on an annual basis and are not reviewed by the Town's independent auditors. Financial statements are available at Upper Cape Cod Regional Technical School, which is located at 220 Sandwich Road, Bourne, MA 02532.

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

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

The following major proprietary funds are reported:

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

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

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

The following fiduciary fund types are reported:

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

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

Government-Wide and Fund Financial Statements

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

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

Motor Vehicle and Other Excise Taxes

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

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

WPCF User Charges

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

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

Departmental and Other

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

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

Intergovernmental

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

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

Loans

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

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

F. Inventories*Government-Wide and Fund Financial Statements*

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

G. Capital Assets*Government-Wide and Proprietary Fund Financial Statements*

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

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

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

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

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

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

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

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

Governmental Fund Financial Statements

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

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Deferred Revenue

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

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

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

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

Net assets have been “restricted for” the following:

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

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

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

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

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town meeting is the highest level of decision making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The Board of Selectmen has by resolution authorized the Town Accountant to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

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

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

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

M. Investment Income

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

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

N. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

O. Use of Estimates

Government-Wide and Fund Financial Statements

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

P. Individual Fund Deficits

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

Q. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

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

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

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. At fiscal year-end, the carrying amount of deposits totaled \$21,348,577 and the bank balance totaled \$23,058,516. Of the bank balance, \$1,382,406 was covered by Federal Depository Insurance, and \$21,676,110 was collateralized. The Town has a policy that states that no more than 10% of the Town's cash can be maintained as unsecured. The Town is in compliance with this requirement.

Investments

As of June 30, 2012 the Town did not have any investments.

NOTE 3 – RECEIVABLES

At June 30, 2012, receivables for the individual major and nonmajor governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 698,159	\$ (39,000)	\$ 659,159
Tax liens.....	1,992,682	-	1,992,682
Motor vehicle and other excise taxes.....	682,986	(106,000)	576,986
Departmental and other.....	1,143,522	(431,000)	712,522
Special assessments.....	439,960	-	439,960
Intergovernmental.....	1,014,634	-	1,014,634
Loans.....	2,316,157	(340,000)	1,976,157
Total.....	<u>\$ 8,288,100</u>	<u>\$ (916,000)</u>	<u>\$ 7,372,100</u>

At June 30, 2012, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User fees.....	\$ 1,014,515	\$ -	\$ 1,014,515
Tax liens.....	279,148	-	279,148
Special assessments.....	12,049,189	-	12,049,189
Intergovernmental.....	7,470,607	-	7,470,607
Total.....	<u>\$ 20,813,459</u>	<u>\$ -</u>	<u>\$ 20,813,459</u>

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

	General Fund	Nonmajor Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate, personal property and tax deferrals....	\$ 499,749	\$ 623	\$ 500,372
Tax liens.....	2,053,184	25,440	2,078,624
Motor vehicle and other excise.....	576,986	-	576,986
Departmental and other.....	383,445	329,077	712,522
Special assessments.....	-	439,960	439,960
Intergovernmental.....	-	404,255	404,255
Loans.....	-	1,976,157	1,976,157
Tax foreclosures.....	476,216	-	476,216
Total.....	<u>\$ 3,989,580</u>	<u>\$ 3,175,512</u>	<u>\$ 7,165,092</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,501,889	\$ 648,125	\$ -	\$ 5,150,014
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	68,077,646	-	-	68,077,646
Land improvements.....	4,338,491	-	-	4,338,491
Machinery and equipment.....	9,374,860	393,363	-	9,768,223
Infrastructure.....	50,641,553	1,871,678	-	52,513,231
Total capital assets being depreciated.....	132,432,550	2,265,041	-	134,697,591
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(29,582,463)	(1,226,230)	-	(30,808,693)
Land improvements.....	(1,376,154)	(215,712)	-	(1,591,866)
Machinery and equipment.....	(7,119,750)	(562,385)	-	(7,682,135)
Infrastructure.....	(21,313,483)	(1,234,485)	-	(22,547,968)
Total accumulated depreciation.....	(59,391,850)	(3,238,812)	-	(62,630,662)
Total capital assets being depreciated, net.....	73,040,700	(973,771)	-	72,066,929
Total governmental activities capital assets, net.....	<u>\$ 77,542,589</u>	<u>\$ (325,646)</u>	<u>\$ -</u>	<u>\$ 77,216,943</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,842,708	\$ -	\$ -	\$ 4,842,708
Construction in progress.....	5,072,858	-	(5,072,858)	-
Total capital assets not being depreciated.....	9,915,566	-	(5,072,858)	4,842,708
<u>Capital assets being depreciated:</u>				
Buildings.....	29,998,148	-	-	29,998,148
Machinery and equipment.....	14,179,719	51,537	-	14,231,256
Infrastructure.....	50,008,114	6,206,001	-	56,214,115
Total capital assets being depreciated.....	94,185,981	6,257,538	-	100,443,519
<u>Less accumulated depreciation for:</u>				
Buildings.....	(4,836,778)	(599,639)	-	(5,436,417)
Machinery and equipment.....	(10,011,536)	(428,128)	-	(10,439,664)
Infrastructure.....	(17,521,467)	(1,394,112)	-	(18,915,579)
Total accumulated depreciation.....	(32,369,781)	(2,421,879)	-	(34,791,660)
Total capital assets being depreciated, net.....	61,816,200	3,835,659	-	65,651,859
Total business-type activities capital assets, net.....	\$ 71,731,766	\$ 3,835,659	\$ (5,072,858)	\$ 70,494,567

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

Governmental Activities:

General government.....	\$ 154,837
Public safety.....	228,428
Education.....	1,342,782
Public works.....	1,354,389
Human services.....	55,904
Culture and recreation.....	97,579
Community preservation.....	4,893

Total depreciation expense - governmental activities..... \$ 3,238,812

Business-Type Activities:

Water Pollution Control Facility..... \$ 2,421,879

NOTE 5 – INTERFUND RECEIVABLES AND TRANSFERS

There were no interfund receivables as of June 30, 2012.

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

		<u>Transfers In:</u>
<u>Transfers Out:</u>		<u>General Fund</u>
Nonmajor Governmental Funds.....	\$ 954,669	(1)
Water Pollution Control Facility.....	466,019	(2)
	<u>\$ 1,420,688</u>	

(1) Represents transfers from various special revenue and capital project funds to the general fund including: ambulance, waterways, onset pier, harbormaster, cemetery perpetual care and wetlands.

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

NOTE 6 – SHORT-TERM FINANCING

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

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

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

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

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2011	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2012
Governmental Funds:							
BAN	MWPAT T5-97-1019-E.....	0.00%	04/15/13	\$ 37,752	\$ 127,474	\$ -	\$ 165,226
BAN	Various Municipal Projects.....	0.70%	07/15/11	1,250,000	-	1,250,000	-
BAN	Various Municipal Projects.....	0.74%	01/19/12	-	1,250,000	1,250,000	-
BAN	Various Municipal Projects.....	0.67%	04/19/12	-	1,250,000	1,250,000	-
BAN	**Various Municipal Projects.....	0.35%	07/15/12	-	1,250,000	1,250,000	-
Sub-total governmental notes.....				<u>1,287,752</u>	<u>3,877,474</u>	<u>5,000,000</u>	<u>165,226</u>
Enterprise Funds:							
BAN	Sewer.....	1.05%	07/15/11	982,000	-	982,000	-
BAN	MWPAT CWS-07-37A.....	0.33%	04/15/13	1,584,018	-	1,584,018	-
BAN	Sewer.....	0.74%	01/19/12	-	949,000	949,000	-
BAN	Sewer.....	0.67%	04/19/12	-	700,000	700,000	-
Sub-total enterprise notes.....				<u>2,566,018</u>	<u>1,649,000</u>	<u>4,215,018</u>	<u>-</u>
Total notes payable.....				<u>\$ 3,853,770</u>	<u>\$ 5,526,474</u>	<u>\$ 9,215,018</u>	<u>\$ 165,226</u>

** See Note 8 for more information on this short-term obligation.

NOTE 7 – CAPITAL LEASE OBLIGATIONS

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

	Governmental Activities
<u>Asset:</u>	
Vehicles.....	\$ 335,755
Less: accumulated depreciation.....	<u>(167,878)</u>
Total.....	<u>\$ 167,877</u>

The following is a schedule of the future minimum lease payments under the capital lease, together with the present value of the net minimum lease payments, as of June 30, 2012:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>
2013.....	\$ 99,187
Less: amounts representing interest.....	(4,271)
Present value of minimum lease payments.....	\$ <u>94,916</u>

NOTE 8 - LONG-TERM DEBT

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

Details related to the outstanding indebtedness at June 30, 2012, and the debt service requirements follow.

On July 15, 2012, the Town issued \$1,250,000, of State House Serial Loan Notes with an interest rate of 2%. The full \$1,250,000 related to governmental BAN's outstanding as of June 30, 2012. Accordingly, the Town has recognized bond proceeds in the amount of \$1,250,000 in the governmental funds.

Bonds and Notes Payable Schedule – Governmental Funds

Project	Maturities Through	Original Amount Issued	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
Surface Drain.....	2012	\$ 48,000	4.7%	\$ 5,000	\$ -	\$ 5,000	\$ -
Building Remodeling.....	2015	68,000	4.7%	15,000	-	4,000	11,000
Building Remodeling.....	2015	74,000	4.7%	16,000	-	4,000	12,000
Building Remodeling - Senior Center...	2017	449,000	4.8%	134,000	-	23,000	111,000
Building Remodeling - School.....	2017	365,000	4.8%	114,000	-	19,000	95,000
Building Remodeling - School.....	2017	500,000	4.8%	156,000	-	26,000	130,000
Building Remodeling - School.....	2014	234,000	4.7%	42,000	-	14,000	28,000
MWPAT Title V 97-1019.....	2019	195,676	4.4%	86,956	-	10,872	76,084
MWPAT Title V 97-1019 - 1.....	2021	189,474	4.4%	104,659	-	10,602	94,057
Building Remodeling - EMS.....	2020	500,000	4.2%	230,000	-	30,000	200,000
Open Space.....	2019	184,000	4.1%	80,000	-	10,000	70,000
School Bus Garage.....	2020	150,000	4.1%	60,000	-	10,000	50,000
Storm Drains.....	2012	50,000	3.6%	5,000	-	5,000	-
Town Hall Repairs.....	2021	300,000	4.3%	150,000	-	15,000	135,000
School Roof.....	2021	200,000	4.3%	100,000	-	10,000	90,000
Multi-purpose.....	2023	3,609,000	3.8%	1,810,000	-	285,000	1,525,000
MWPAT Title V 97-1019 - 2.....	2025	185,254	4.6%	128,100	-	9,525	118,575
Building Remodeling.....	2015	100,000	3.6%	40,000	-	10,000	30,000
Building Remodeling II.....	2015	120,000	3.6%	60,000	-	15,000	45,000
MWPAT Title V 97-1019 - 3C.....	2028	200,000	0.0%	170,000	-	10,000	160,000
State House Notes.....	2013	80,000	6.5%	32,000	-	16,000	16,000
MWPAT Title V T5-97-1019-D.....	2030	200,000	0.0%	200,000	-	10,526	189,474
State House Notes.....	2018	1,250,000	2.0%	-	1,250,000	-	1,250,000
Total.....				\$ 3,738,715	\$ 1,250,000	\$ 552,525	\$ 4,436,190

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

Fiscal Year	Principal	Interest	Total
2013.....	\$ 536,089	\$ 140,692	\$ 676,781
2014.....	746,276	119,285	865,561
2015.....	716,272	95,519	811,791
2016.....	567,747	66,695	634,442
2017.....	482,747	56,266	539,013
2018.....	411,747	42,100	453,847
2019.....	216,747	31,542	248,289
2020.....	196,913	23,145	220,058
2021.....	166,912	16,629	183,541
2022.....	130,526	10,604	141,130
2023.....	130,526	5,285	135,811
2024.....	25,526	375	25,901
2025.....	25,527	125	25,652
2026.....	20,527	-	20,527
2027.....	20,527	-	20,527
2028.....	20,527	-	20,527
2029.....	10,527	-	10,527
2030.....	10,527	-	10,527
Total.....	\$ 4,436,190	\$ 608,262	\$ 5,044,452

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Amount Issued	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
Sewer Riverside.....	2022	180,405	4.3%	\$ 90,000	\$ -	\$ 10,000	\$ 80,000
Sewer Sunset Island.....	2022	265,000	4.3%	130,000	-	15,000	115,000
Sewer Thatcher.....	2022	1,215,000	4.4%	680,000	-	70,000	610,000
Engineering- Water Pollution.....	2022	1,315,000	4.4%	730,000	-	70,000	660,000
Sewer Design & Construction.....	2018	2,106,000	4.8%	728,000	-	105,000	623,000
Sewer Design & Construction.....	2020	468,200	6.0%	140,455	-	15,606	124,849
Sewer Design & Construction.....	2012	190,000	5.9%	9,500	-	9,500	-
Sewer Planning.....	2023	597,000	3.9%	390,000	-	35,000	355,000
Sewer Wewatic.....	2026	3,305,000	3.9%	2,455,000	-	170,000	2,285,000
Sewer Pump Station.....	2026	800,000	3.8%	600,000	-	40,000	560,000
Sewer Pump Station.....	2015	500,000	3.6%	320,000	-	95,000	225,000
MWPAT Construction 91-18-A.....	2014	3,370,643	0.0%	1,282,941	-	501,278	781,663
MWPAT Construction 96-15.....	2017	1,470,980	5.4%	631,580	-	97,656	533,924
MWPAT Construction 91-18.....	2017	1,411,886	5.4%	606,206	-	93,733	512,473
MWPAT Construction CW-01-41.....	2023	8,823,166	5.0%	6,360,783	-	446,118	5,914,665
MWPAT Construction CW-02-49.....	2024	10,878,067	5.0%	8,791,637	-	550,064	8,241,573
MWPAT Construction CW-02-49A.....	2027	688,636	0.0%	612,122	-	38,257	573,865
MWPAT Construction CW-05-10.....	2027	4,978,306	2.0%	4,509,453	-	241,554	4,267,899
MWPAT Construction CWS-07-37.....	2031	6,567,049	2.0%	6,567,049	-	269,735	6,297,314
MWPAT CWS-07-37A.....	2033	4,668,271	2.0%	-	4,668,271	-	4,668,271
State House Notes.....	2017	667,000	2.5%	-	667,000	-	667,000
Total.....				\$ 35,634,726	\$ 5,335,271	\$ 2,873,501	\$ 38,096,496

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013.....	\$ 3,045,362	\$ 1,215,543	\$ 4,260,905
2014.....	3,024,742	1,112,393	4,137,135
2015.....	2,800,730	996,706	3,797,436
2016.....	2,781,314	882,901	3,664,215
2017.....	2,833,408	763,446	3,596,854
2018.....	2,523,138	657,512	3,180,650
2019.....	2,474,256	580,468	3,054,724
2020.....	2,525,709	467,104	2,992,813
2021.....	2,571,892	380,290	2,952,182
2022.....	2,624,029	292,176	2,916,205
2023.....	2,541,520	189,094	2,730,614
2024.....	1,924,371	147,066	2,071,437
2025.....	1,140,589	121,202	1,261,791
2026.....	1,159,187	94,969	1,254,156
2027.....	978,165	72,359	1,050,524
2028.....	626,623	56,695	683,318
2029.....	639,674	44,032	683,706
2030.....	652,996	31,106	684,102
2031.....	666,595	17,910	684,505
2032.....	278,076	8,463	286,539
2033.....	284,120	2,841	286,961
Total.....	\$ <u>38,096,496</u>	\$ <u>8,134,276</u>	\$ <u>46,230,772</u>

The Enterprise Fund is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$4,686,000 and interest costs for \$3,193,000. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$24,921,000. The principal subsidies are guaranteed and therefore a \$4,686,000 intergovernmental receivable has been reported in the sewer enterprise fund financial statements. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2012 principal and interest subsidies totaled \$610,000 and \$594,000 respectively.

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

At June 30, 2012, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Massachusetts Water Pollution Abatement Trust....	\$ <u>7,273,000</u>

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2012, the following changes occurred in long-term liabilities:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Governmental Activities:					
Long-Term Bonds.....	\$ 3,738,715	\$ 1,250,000	\$ (552,525)	\$ 4,436,190	\$ 536,089
Other Postemployment Benefits.....	12,937,000	7,408,000	(3,438,000)	16,907,000	-
Compensated Absences.....	1,625,000	979,000	(794,000)	1,810,000	922,000
Capital Leases.....	185,744	-	(90,828)	94,916	94,916
Total.....	<u>\$ 18,486,459</u>	<u>\$ 9,637,000</u>	<u>\$ (4,875,353)</u>	<u>\$ 23,248,106</u>	<u>\$ 1,553,005</u>
Business-Type Activities:					
Long-Term Bonds.....	\$ 35,634,726	\$ 5,335,271	\$ (2,873,501)	\$ 38,096,496	\$ 3,045,362
Other Postemployment Benefits.....	295,000	91,000	-	386,000	-
Compensated Absences.....	84,000	49,000	(49,000)	84,000	51,000
Total.....	<u>\$ 36,013,726</u>	<u>\$ 5,475,271</u>	<u>\$ (2,922,501)</u>	<u>\$ 38,566,496</u>	<u>\$ 3,096,362</u>

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

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

At year end the balance of the General Stabilization Fund is \$418,387 and is reported as unassigned fund balance within the General Fund.

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

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

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

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

GOVERNMENTAL FUNDS			
	General	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES			
Nonspendable:			
Permanent fund principal..... \$	- \$	348,441 \$	348,441
Restricted for:			
Revolving funds.....	-	1,431,387	1,431,387
Private/local gift and grant funds.....	-	568,660	568,660
School lunch.....	-	247,816	247,816
Town grant funds.....	-	194,436	194,436
School grant funds.....	-	388,991	388,991
Community preservation fund.....	-	2,050,209	2,050,209
Town capital projects.....	-	198,725	198,725
School capital projects.....	-	3,781	3,781
Other permanent funds.....	-	273,597	273,597
Committed to:			
General government.....	69,490	-	69,490
Public safety.....	34,356	-	34,356
Public works.....	52,566	-	52,566
Human services.....	14,347	-	14,347
Assigned to:			
General government.....	6,939	-	6,939
Public safety.....	15,178	-	15,178
Public works.....	30,840	-	30,840
Human services.....	4,193	-	4,193
Overlay reserve released to fund FY13....	155,000	-	155,000
Unassigned.....	2,434,120	-	2,434,120
TOTAL FUND BALANCES..... \$	\$ 2,817,029	\$ 5,706,043	\$ 8,523,072

NOTE 10 – RISK FINANCING

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

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

Health Insurance

The Town estimates its Incurred But Not Reported (IBNR) claims based on an approximate two months average health claims and two months average dental claims. The Town purchases individual stop loss insurance for claims in excess of coverage provided by the Town in the amount of \$100,000. At June 30, 2012, the amount of the liability for health and dental insurance claims totaled \$724,367. This liability is the best estimate based on available information.

Changes in the reported liability since July 1, 2010, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End
Fiscal Year 2012.....	\$ 551,608	\$ 8,655,932	\$ (8,483,173)	\$ 724,367
Fiscal Year 2011.....	944,826	7,561,507	(7,954,725)	551,608

General Liability and Property Insurance

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

Workers' Compensation

The Town participates in a premium based workers' compensation insurance plan for its employees, including police officers and firefighters. All public safety claims are subject to a maximum allowable insurance benefit which varies by contract, the Town is responsible for any excess public safety claims. As of June 30, 2012, this amount was immaterial and therefore not recorded.

NOTE 11 - PENSION PLAN

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

The amount of these on-behalf payments totaled \$6,293,000 for the fiscal year ended June 30, 2012, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Plymouth County Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 10 Cordage Park, Suite 234, Plymouth, Massachusetts 02360.

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32 of the MGL governs the contributions of plan members and the Town. The Town contributions to the System for the fiscal years ended June 30, 2012, 2011, and 2010 were \$2,342,535, \$2,530,839, and \$2,292,006, respectively, which equaled its required contribution for each fiscal year.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 75 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25 percent of their premium costs. For fiscal year 2012, the Town contributed \$3.4 million to the plan.

Annual OPEB Cost and Net OPEB Obligation – The Town's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution.....	\$ 7,705,000
Interest on UAAL.....	529,000
Adjustments to annual required contribution.....	<u>(736,000)</u>
Annual OPEB cost (expense).....	7,498,000
Contributions made.....	<u>(3,437,000)</u>
Increase/(Decrease) in net OPEB obligation.....	4,061,000
Net OPEB obligation - beginning of year.....	<u>13,232,000</u>
Net OPEB obligation - end of year.....	<u>\$ 17,293,000</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and prior years was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of the ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 7,498,000	46%	\$ 17,293,000
6/30/2011	7,480,000	42%	13,232,000
6/30/2010	7,223,000	43%	8,913,000
6/30/2009	7,619,000	38%	4,761,000

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 8% initially, graded to 5% over 4 years. The UAAL is being amortized using level dollar method over the maximum acceptable period of 30 years. The remaining amortization period at June 30, 2012 is 26 years.

NOTE 13 - COMMITMENTS

The Town has entered into, or is planning to enter into contracts totaling approximately \$7.3 million for infrastructure upgrades and various sewer projects.

NOTE 14 - CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2012, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012.

NOTE 15 – FUTURE IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2012, the following GASB pronouncements were implemented:

- GASB Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this pronouncement did not impact the basic financial statements.

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

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.

- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.

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

This page intentionally left blank.

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		
	Amounts Carried forward From Prior Year	Original Budget	Final Budget
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 31,263,006	\$ 31,263,006
Tax liens.....	-	-	-
Motor vehicle and other excise taxes.....	-	2,447,544	2,447,544
Charges for services.....	-	815,000	815,000
Penalties and interest on taxes.....	-	250,000	250,000
Licenses and permits.....	-	712,000	712,000
Fines and forfeitures.....	-	100,000	100,000
Intergovernmental.....	-	14,577,389	14,577,389
Departmental and other.....	-	103,788	103,788
Investment income.....	-	40,000	40,000
TOTAL REVENUES.....	-	50,308,727	50,308,727
EXPENDITURES:			
Current:			
General government.....	133,785	3,057,346	3,109,441
Public safety.....	24,321	5,368,401	5,660,753
Education.....	-	29,107,619	29,107,619
Public works.....	68,888	1,627,483	1,727,523
Human services.....	-	638,851	623,551
Culture and recreation.....	-	476,523	449,323
Pension benefits.....	-	2,372,535	2,372,535
Employee benefits.....	-	5,064,285	5,116,199
Claims and judgments.....	-	-	-
State and county charges.....	-	2,045,205	2,045,205
Debt service:			
Principal.....	-	552,525	480,286
Interest.....	-	228,500	161,838
TOTAL EXPENDITURES.....	226,994	50,539,273	50,854,273
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(226,994)	(230,546)	(545,546)
OTHER FINANCING SOURCES (USES):			
Transfers in.....	-	996,827	1,079,827
Transfers out.....	-	(150,000)	(150,000)
TOTAL OTHER FINANCING SOURCES (USES).....	-	846,827	929,827
OTHER BUDGETARY AMOUNTS:			
Available funds for carryforward articles.....	226,994	226,994	226,994
Free cash and other available funds voted to balance the budget.....	-	-	232,000
Amounts raised for prior years snow and ice deficit.....	-	(577,434)	(577,434)
Amounts raised for various prior year operating deficits.....	-	(265,841)	(265,841)
TOTAL OTHER BUDGETARY AMOUNTS.....	226,994	(616,281)	(384,281)
NET CHANGE IN FUND BALANCE.....	-	-	-
BUDGETARY FUND BALANCE, Beginning of year.....	-	830,875	830,875
BUDGETARY FUND BALANCE, End of year.....	\$ -	\$ 830,875	\$ 830,875

See notes to basic financial statements.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
\$ 30,990,382	\$ -	\$ (272,624)
530,686	-	530,686
2,471,737	-	24,193
842,759	-	27,759
361,240	-	111,240
832,856	-	120,856
131,918	-	31,918
14,617,318	-	39,929
144,133	-	40,345
13,883	-	(26,117)
50,936,912	-	628,185
2,949,156	76,428	83,857
5,568,274	49,535	42,944
29,098,325	-	9,294
1,651,525	83,406	(7,408)
540,921	18,540	64,090
446,544	-	2,779
2,371,351	-	1,184
5,019,502	-	96,697
250,137	-	(250,137)
2,003,919	-	41,286
477,525	-	2,761
113,245	-	48,593
50,490,424	227,909	135,940
446,488	(227,909)	764,125
1,420,688	-	340,861
(150,000)	-	-
1,270,688	-	340,861
-	-	(226,994)
-	-	(232,000)
-	-	577,434
-	-	265,841
-	-	384,281
1,717,176	(227,909)	1,489,267
830,875	-	-
\$ 2,548,051	\$ (227,909)	\$ 1,489,267

Retirement System Schedules of Funding Progress and Employer Contributions

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

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

**Plymouth County Contributory Retirement System
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/11	\$ 666,730,812	\$ 1,187,447,414	\$ 520,716,602	56.1%	\$ 228,284,638	228.1%
01/01/10	673,709,456	1,132,847,379	459,137,923	59.5%	227,507,647	201.8%
01/01/08	683,819,938	1,056,020,215	372,200,277	64.8%	252,682,832	147.3%
01/01/07	606,629,089	987,840,418	381,211,329	61.4%	244,574,136	155.9%
01/01/06	558,533,863	918,851,707	360,317,844	60.8%	226,262,731	159.2%
01/01/04	520,104,805	802,158,453	282,053,648	64.8%	208,312,002	135.4%
01/01/02	466,325,660	733,198,204	266,872,544	63.6%	205,039,686	130.2%
01/01/00	450,210,619	611,204,058	160,993,439	73.7%	178,010,731	90.4%
01/01/98	316,253,566	492,303,777	176,050,211	64.2%	148,264,981	118.7%

The Town of Wareham's share of the UAAL, as of January 1, 2011, is approximately 5%.

**Plymouth County Contributory Retirement System
Schedule of Employer Contributions**

Fiscal Year Ended June 30	System Wide			Town of Wareham, Massachusetts	
	Annual Required Contributions	Actual Contributions	Percentage Contributed	Actual Contributions	Town Contributions as a Percentage of Actual Contributions
2005	\$ 25,695,625	\$ 25,695,625	100%	\$ 1,438,355	5.60%
2006	30,795,767	30,795,767	100%	1,838,199	5.97%
2007	34,085,524	34,085,524	100%	2,016,728	5.92%
2008	38,854,868	38,854,868	100%	2,142,811	5.51%
2009	41,286,384	41,286,384	100%	2,220,143	5.38%
2010	42,708,712	42,708,712	100%	2,292,006	5.37%
2011	45,039,921	45,039,921	100%	2,530,839	5.62%
2012	46,850,764	46,850,764	100%	2,342,535	5.00%

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

Other Postemployment Benefits Plan Schedules

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

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

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2012

Schedule of Funding Progress

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

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2012	\$ 7,705,000	\$ 3,437,000	45%
2011	7,620,000	3,161,000	41%
2010	7,297,000	3,071,000	42%
2009	7,619,000	2,858,000	38%

N/A=Not Available

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

FISCAL YEAR ENDED JUNE 30, 2012

Actuarial Methods:

Valuation date	July 1, 2010
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar amount over a 30 year period at transition
Remaining amortization period	26 Years as of June 30, 2012

Actuarial Assumptions:

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

Plan Membership:

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

See notes to required supplementary information.

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

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

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2012 approved budget and amounts carried forward from prior year authorized approximately \$50.7 million in appropriations and other amounts to be raised. During fiscal year 2012, the Town meeting approved subsequent increases in appropriations totaling approximately \$315 thousand.

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

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2012, is presented below:

Net change in fund balance - budgetary basis.....	\$ 1,717,176
<u>Perspective difference:</u>	
Stabilization fund recorded in the General Fund for GAAP.....	150,291
<u>Basis of accounting differences:</u>	
Net difference in recognition of revenues.....	(88,000)
Net change in recording expenditures.....	(50,100)
Net change in recording 60-day receipts accrual.....	(35,371)
Recognition of revenue for on-behalf payments.....	6,293,000
Recognition of expenditures for on-behalf payments.....	<u>(6,293,000)</u>
Net change in fund balance - GAAP basis.....	\$ <u><u>1,693,996</u></u>

C. Appropriation Deficits

During fiscal year 2012, expenditures exceeded budgeted appropriations for snow and ice and court judgments. These deficits will be funded in future fiscal years through tax levy and other available funds.

NOTE B – PENSION PLAN

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

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

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2011
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.5% per year
Remaining Amortization Period.....	19 years remaining as of January 1, 2011
Asset Valuation Method.....	Assets held by the fund are valued at market value as reported by the Public Employees' Retirement Administration Commission (PERAC). The actuarial value is based on a 5 year smoothing of realized and unrealized investment earnings greater than or less than the expected return. The result must be within 20% of market value.

Actuarial Assumptions:

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

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	3,088
Inactive participants.....	2,115
Disabled participants.....	354
Active participants.....	<u>5,775</u>
Total.....	<u>11,332</u>

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

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

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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