

TOWN OF WAREHAM, MASSACHUSETTS

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2008

Claude Boudwin LLC  
CERTIFIED PUBLIC ACCOUNTANT



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### INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen  
Town of Wareham  
Wareham, Massachusetts

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wareham, Massachusetts, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

I was unable to obtain a management representation letter which confirms management's responsibility for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles and management's responsibility for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I obtained a management representation letter, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for Town of Wareham, Massachusetts, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated August 25, 2009, on my consideration of the Town of Wareham, Massachusetts' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.



To the Board of Selectmen  
Town of Wareham, Massachusetts

The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The management's discussion and analysis on pages 5 through 14 and budgetary comparison information on page 54, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Wareham, Massachusetts' basic financial statements. The introductory section and the budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and the budgetary comparison schedule have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Town of Wareham, Massachusetts. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements.

I was unable to obtain a management representation letter which confirms management responsibility for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles and management responsibility for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I obtained a management representation letter, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Claude Bourdin LLC*

August 25, 2009

# Claude Boudwin LLC

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

To the Board of Selectmen  
Town of Wareham  
Wareham, Massachusetts

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wareham, Massachusetts as of and for the year ended June 30, 2008, which collectively comprise the Town of Wareham, Massachusetts's basic financial statements and have issued my report thereon dated August 25, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

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

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

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



To the Board of Selectmen  
Town of Wareham, Massachusetts

I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Findings listed include 2008.1, 2008.2, and 2008.3.

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

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

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

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

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

*Claude Beedwin LLC*

August 25, 2009

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



**TOWN OF WAREHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

As management of the Town of Wareham, Massachusetts, we offer readers of the Town of Wareham financial statements this narrative overview and analysis of the financial activities of the Town of Wareham for the fiscal year ended June 30, 2008.

**FINANCIAL HIGHLIGHTS**

- The assets of the Town of Wareham exceeded its liabilities at the close of the most recent fiscal year by \$137,122,383 (net assets). Of this amount, \$109,616,166 (79.94% - invested in capital assets, net of related debt) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less depreciation and any related debt used to acquire those assets that is still outstanding. \$24,094,540 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$8,073,865. Of this amount, \$6,837,060 is attributable to business type activity in which betterments, in the amount of \$5,427,665, were recorded.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund surplus of \$3,715,282, an decrease of \$1,514,803, in comparison with the prior year. Governmental funds report a surplus of \$234,993 and non-major Governmental funds a surplus of \$3,480,289 of which \$1,837,199 is available for spending at the government's discretion (unreserved, undesignated fund balance.)
- At the end of the current fiscal year, the general fund reflected an unreserved, undesignated fund deficit of \$15,280.
- The General Fund operations resulted in a \$722,101 decrease in fund balance.
- Wareham's long-term debt decreased by \$4,759,98 during the year. The key factors in this decrease was the issuance of \$280,000 in bonds and payment of outstanding principal of \$5,039,988.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**TOWN OF WAREHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

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

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

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

The government-wide financial statements include no component units.

The government-wide financial statements can be found on pages 16-18 of this report.

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

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

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

**TOWN OF WAREHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

The Town of Wareham maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered the only major fund. Data from the other fifteen governmental funds are combined into a single, aggregated presentation.

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

The basic governmental fund financial statements can be found on pages 19-22 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the 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.

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

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

The basic fiduciary fund financial statements can be found on pages 26-27 of this report.

**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. The notes to the financial statements can be found on pages 28-52 of this report.

**TOWN OF WAREHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Governmental assets exceeded liabilities by \$137.1 million at the close of the most recent fiscal year.

By far the largest portion of Wareham's net assets, \$109,616,166 or 80%, reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of 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.

**Town of Wareham's Net Assets**

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>						
Current and other assets	\$21,975,415	\$22,184,432	\$24,839,585	\$18,981,825	\$46,815,000	\$41,166,257
Capital assets	<u>81,332,051</u>	<u>83,527,981</u>	<u>65,395,321</u>	<u>66,537,122</u>	<u>146,727,372</u>	<u>150,065,103</u>
<b>Total assets</b>	<b>103,307,466</b>	<b>105,712,413</b>	<b>90,234,906</b>	<b>85,518,947</b>	<b>193,542,372</b>	<b>191,231,360</b>
<b>LIABILITIES</b>						
Current liabilities	9,629,635	12,463,052	3,833,610	2,936,284	13,463,245	15,399,336
Long-term liabilities outstanding	<u>8,015,046</u>	<u>8,823,381</u>	<u>34,941,698</u>	<u>37,960,125</u>	<u>42,956,744</u>	<u>46,783,506</u>
<b>Total liabilities</b>	<b>17,644,681</b>	<b>21,286,433</b>	<b>38,775,308</b>	<b>40,896,409</b>	<b>56,419,989</b>	<b>62,182,842</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	75,330,673	76,764,874	34,285,493	33,915,600	109,616,166	110,680,474
Restricted	3,411,677	3,346,464			3,411,677	3,346,464
Unrestricted	<u>6,920,435</u>	<u>4,314,642</u>	<u>17,174,105</u>	<u>10,706,938</u>	<u>24,094,540</u>	<u>15,021,580</u>
<b>Total net assets</b>	<b>85,662,785</b>	<b>84,425,980</b>	<b>51,459,598</b>	<b>44,622,538</b>	<b>137,122,383</b>	<b>129,048,518</b>

An additional portion of the Town's net assets (2.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$24,094,540) may be used to meet the government's ongoing obligations to citizens and creditors.

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

**TOWN OF WAREHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

The governments net assets increased by \$8,073,865 during the current year. About 67% of this increase represents the assessment for betterments within the business-type activities.

**Governmental Activities.** Governmental activities increased the Town's net assets by \$1,236,805, thereby accounting for 15.3 percent of the total growth in the net assets of the Town. Key elements of this increase are as follows.

**Town of Wareham's Changes in Net Assets**

	<b><u>Governmental activities</u></b>		<b><u>Business-type activities</u></b>		<b><u>Total</u></b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
<b>REVENUE</b>						
<u>Program revenues:</u>						
Charges for service	\$ 7,947,382	\$ 8,135,965	\$12,849,880	\$ 5,840,991	\$20,797,262	\$13,976,956
Operating grants and contributions	21,973,355	20,667,196	727,398	1,024,284	22,700,753	21,691,480
Capital grants and contributions	549,623	762,991			549,623	762,991
<u>General revenues:</u>						
Property taxes	30,416,180	29,304,778			30,416,180	29,304,778
Excise taxes	2,312,109	2,286,963			2,312,109	2,286,963
Unrestricted grants and contributions	526,234	725,318			526,234	725,318
Unrestricted investment income	214,545	406,205			214,545	406,205
Other revenues	<u>737,630</u>	<u>802,423</u>			<u>737,630</u>	<u>802,423</u>
<b>Total revenues</b>	<b>64,677,058</b>	<b>63,091,839</b>	<b>13,577,278</b>	<b>6,865,275</b>	<b>78,254,336</b>	<b>69,957,114</b>
<b>EXPENSES</b>						
General government	4,420,771	5,783,609			4,420,771	5,783,609
Public safety	7,906,498	8,372,370			7,906,498	8,372,370
Education	45,439,611	43,056,592			45,439,611	43,056,592
Public works	3,540,932	3,987,765			3,540,932	3,987,765
Human services	1,708,452	1,104,845			1,708,452	1,104,845
Culture and recreation	1,089,760	1,475,149			1,089,760	1,475,149
Interest on long-term debt	222,791	280,670			222,791	280,670
Water pollution control			<u>5,851,656</u>	<u>5,213,758</u>	<u>5,851,656</u>	<u>5,213,758</u>
<b>Total expenses</b>	<b>64,328,815</b>	<b>64,061,000</b>	<b>5,851,656</b>	<b>5,213,758</b>	<b>70,180,471</b>	<b>69,274,758</b>
Transfers in (out)	<u>888,562</u>	<u>797,236</u>	<u>(888,562)</u>	<u>(797,236)</u>		
<b>Changes in net assets</b>	<b>\$ 1,236,805</b>	<b>\$ (171,925)</b>	<b>\$ 6,837,060</b>	<b>\$ 854,281</b>	<b>\$ 8,073,865</b>	<b>\$ 682,356</b>

The increase in net assets from the Town's governmental activities by over \$1.23 million during fiscal 2008 results from a large number of factors. Some of the major items are:

**TOWN OF WAREHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

- A \$1,624,000 loss in the general fund due largely to revenues below expectations and general cost increases.
- A \$840,000 increase in community preservation net assets.
- A \$861,000 increase in highway related net assets due to changes in the State method of allocating funds in the current fiscal year.
- A \$1,149,000 increase in internal service net assets related to health insurance.
- The net effect where debt service principal payments on long-term debt is used to acquire capital assets. Since the Town raises current revenues to cover the principal payment and the useful life of the capital assets are significantly longer than the debt issues, net assets will increase in each year in which debt repayments are greater than related depreciation.

**Business-type Activities:** Business-type activities incurred an increase in net assets of \$6,837,060 for the year. The largest component of this increase is due to the assessment for betterments to the sewer system in the amount of \$5,427,665. Rates were increased in the current year from \$6.62 to \$6.50, a decrease of 1.85%. User charges increased from \$5,445,121 in 2007 to 6,023,177 as a result of increased flow resulting from system expansion funded through betterments.

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

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

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

As of the end of the current fiscal year, the Town of Wareham's governmental funds reported combined ending fund balances of \$3,715,282, a decrease of \$1,514,803 in comparison with the prior year. Approximately 49% of this total amount (\$1,837,199) constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the prior period \$250,273, (2) for community preservation \$983,472, (3) to generate income to pay for the perpetual care of the municipal cemetery \$311,816, (4) for subsequent year expenditures \$158,092 or (5) for a variety of other reserved purposes \$174,430.

**TOWN OF WAREHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

The general fund is the chief operating fund of the Town of Wareham. At the end of the current fiscal year, the general fund reported an unreserved, undesignated fund deficit of \$15,280, while total fund balance was 234,993. As a measure of the general fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures of \$54,958,711. Total fund balance represents 0.43% percent of that same amount.

The fund balance of the Town of Wareham's general fund decreased by \$722,101 during the current fiscal year. Key factors in this decrease, as compared to the prior year, are as follows:

- Increase in property tax revenue of \$1,056,137 offset by an
- Increase in educational expenditures of \$1,520,07

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

Unrestricted net assets of the Water Pollution Control Facility at the end of the year amounted to \$17,174,105, while total fund balance reached \$51,459,598. The total growth in net assets was \$6,837,060. Other factors concerning the finances of the fund has already been addressed in the discussion of the Town of Wareham's business-type activities.

### **General Fund Budgetary Highlights**

During the year there was a \$250,746 increase in appropriations between the original and final amended budget. Following are the main components of the increased appropriations which were funded by increases from other financing sources and transfers from other funds.

- \$59,531 for public safety
- \$91,880 for public works
- \$58,845 for human services
- \$45,348 for retirement contributions

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

**Capital Assets:** The Town of Wareham's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounts to \$146,727,372 (net of depreciation). This investment in capital assets includes land, buildings, improvements to land and buildings, machinery and equipment, vehicles, infrastructure, and water pollution control lines.

The total decrease in the Town of Wareham's investment in capital assets for the current year was \$3,337,731 including a decrease of \$2,195,930 for governmental activities and a decrease of \$1,141,801 in the business-type activities.

**TOWN OF WAREHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

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

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

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>						
Land	\$ 3,781,889	\$ 3,781,889	\$ 4,842,708	\$ 4,842,708	\$ 8,624,597	\$ 8,624,597
Buildings and systems	41,800,357	42,932,147	26,960,287	27,398,150	68,760,644	70,330,297
Improvements other than buildings	3,609,473	778,352	26,946,335	23,770,836	30,555,808	24,549,188
Machinery and equipment	1,868,278	2,105,033	5,384,931	5,808,263	7,253,209	7,913,296
Infrastructure	30,272,054	30,991,350			30,272,054	30,991,350
Construction in progress		<u>2,939,210</u>	<u>1,261,060</u>	<u>4,717,166</u>	<u>1,261,060</u>	<u>7,656,376</u>
<b>Total assets</b>	<b>81,332,051</b>	<b>83,527,981</b>	<b>65,395,321</b>	<b>66,537,123</b>	<b>146,727,372</b>	<b>150,065,104</b>

Additional information on the Town's capital assets can be found in Note 5 on pages 41-42 of this report.

**Debt.** At the end of the current fiscal year, the Town of Wareham had total debt outstanding of \$46,277,410. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the government. Of this amount \$820,825 is in short term notes, and the remaining \$45,456,585 is in outstanding bonds. The Town has no revenue bonds outstanding, which are bonds secured solely by specified revenue sources. During fiscal 2008, the Town retired long-term debt of \$5,039,988.

**Town of Wareham's Outstanding Debt**

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>						
General obligation bonds	\$ 7,904,711	\$ 10,100,714	\$ 37,551,874	\$ 40,115,859	\$ 45,456,585	\$ 50,216,573
Temporary notes	<u>320,825</u>	<u>234,000</u>	<u>500,000</u>		<u>820,825</u>	<u>234,000</u>
<b>Total assets</b>	<b>8,225,536</b>	<b>10,334,714</b>	<b>38,051,874</b>	<b>40,115,859</b>	<b>46,277,410</b>	<b>50,450,573</b>

The Town has authorized but unissued debt of \$25,223,453, an increase of \$19,629,214 due mainly to a \$20 million authorization for water pollution control.

The Town's bonds are rated A3 by Moody's Investor Services Inc.

The Town of Wareham issued \$820,825 in bond anticipation notes to finance the following:



**TOWN OF WAREHAM, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

Community Preservation	\$ 50,000
Title V	20,825
Education	250,000
Sewer	<u>500,000</u>
Total	<u>\$820,825</u>

**Economic Factors and next Year's Budgets and Rates**

Major factors considered in preparing the Town's 2009 budget were:

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

During the current year, the Town designated \$158,092 of unreserved fund balance in several non-major funds to augment the general fund operations of 2009.

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

In 2009, the water pollution control rates were increased from \$6.62 to \$6.50, an increase of 1.85%.

**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.

**TOWN OF WAREHAM, MASSACHUSETTS**  
**BASIC FINANCIAL STATEMENTS**

**TOWN OF WAREHAM, MASSACHUSETTS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,185,720	\$ 3,179,711	\$ 12,365,431
Receivables, net of uncollectible accounts:			
Real estate, personal property, betterments	720,389	27,034	747,423
Tax/utility liens	2,999,919	100,434	3,100,353
Charges for services	-	835,057	835,057
Excises	437,491	-	437,491
Departmental and other	296,149	-	296,149
Due from other governments	5,007,507	10,716,089	15,723,596
Betterments	433,508	9,981,260	10,414,768
Loans	2,046,306	-	2,046,306
Deposits and prepayments	500,537	-	500,537
Cash and investments, restricted for endowments	347,889	-	347,889
Capital assets, net of accumulated depreciation	81,332,051	65,395,321	146,727,372
Total Assets	<u>\$ 103,307,466</u>	<u>\$ 90,234,906</u>	<u>\$ 193,542,372</u>

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

**TOWN OF WAREHAM, MASSACHUSETTS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b>LIABILITIES</b>			
Accounts payable	\$ 1,900,399	\$ 117,563	\$ 2,017,962
Accrued expenses:			
Payroll and taxes	433,795	14,418	448,213
Interest	147,554	522,623	670,177
Compensated absences	325,000	68,830	393,830
Retained risk	426,711	-	426,711
Revenue refunds payable	50,000	-	50,000
Notes payable	320,825	500,000	820,825
Capital lease obligation	127,211	-	127,211
Bonds payable, current portion	2,561,999	2,610,176	5,172,175
Deferred revenues	2,504,385	-	2,504,385
Other liabilities	831,756	-	831,756
Non-current liabilities:			
Compensated absences	1,136,459	-	1,136,459
Bonds payable	5,342,712	34,941,698	40,284,410
Special termination benefits	1,535,875	-	1,535,875
Total Liabilities	17,644,681	38,775,308	56,419,989
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	75,330,673	34,285,493	109,616,166
Restricted for:			
Highways	1,038,031	-	1,038,031
Community preservation	1,437,318	-	1,437,318
Other purposes	369,971	-	369,971
Perpetual funds:			
Expendable	254,541	-	254,541
Non-expendable	311,816	-	311,816
Unrestricted	6,920,435	17,174,105	24,094,540
Total net assets	85,662,785	51,459,598	137,122,383
 Total Liabilities and Net Assets	 \$ 103,307,466	 \$ 90,234,906	 \$ 193,542,372

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

**TOWN OF WAREHAM, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

		Program Revenues			
Function/Program	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense)/Revenue
<b>Governmental activities:</b>					
General government	\$ 4,420,771	\$ 1,567,446	\$ 846,840	\$ 442,642	\$ (1,563,843)
Public safety	7,906,498	1,900,566	201,846	-	(5,804,086)
Education	45,439,611	3,391,954	19,637,121	106,981	(22,303,555)
Public works	3,540,932	128,445	1,025,923	-	(2,386,564)
Human services	1,708,452	678,209	144,671	-	(885,572)
Culture and recreation	1,089,760	280,762	116,954	-	(692,044)
Debt service	222,791	-	-	-	(222,791)
Total government activities	<u>64,328,815</u>	<u>7,947,382</u>	<u>21,973,355</u>	<u>549,623</u>	<u>(33,858,455)</u>
<b>Business-type activities:</b>					
Water pollution control	<u>5,851,656</u>	<u>12,849,880</u>	<u>727,398</u>	<u>-</u>	<u>7,725,622</u>
Total business-type activities	<u>5,851,656</u>	<u>12,849,880</u>	<u>727,398</u>	<u>-</u>	<u>7,725,622</u>
Total primary government	<u>\$ 70,180,471</u>	<u>\$ 20,797,262</u>	<u>\$ 22,700,753</u>	<u>\$ 549,623</u>	<u>\$ (26,132,833)</u>
Change in net assets:			Governmental activities	Business-type activities	Total
Net (expense)/revenue			\$ (33,858,455)	\$ 7,725,622	\$ (26,132,833)
Real and personal property taxes levied for general purposes			29,860,775	-	29,860,775
Real estate taxes levied for community preservation			555,405	-	555,405
Motor vehicle and other excise taxes			2,312,109	-	2,312,109
Interest and penalties			436,175	-	436,175
Grants and contributions not restricted to specific programs			526,234	-	526,234
Unrestricted investment income			214,545	-	214,545
Contributions to permanent fund principal			4,200	-	4,200
Miscellaneous revenue			297,255	-	297,255
Transfers, net			888,562	(888,562)	-
Total general revenues, special items, and transfers			<u>35,095,260</u>	<u>(888,562)</u>	<u>34,206,698</u>
Change in net assets			<u>1,236,805</u>	<u>6,837,060</u>	<u>8,073,865</u>
Net Assets, beginning			<u>84,425,980</u>	<u>44,622,538</u>	<u>129,048,518</u>
Net Assets, ending			<u>\$ 85,662,785</u>	<u>\$ 51,459,598</u>	<u>\$ 137,122,383</u>

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

**TOWN OF WAREHAM, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2008**

	<u>General</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,896,652	\$ 3,793,816	\$ 5,690,468
Receivables, net of uncollectible accounts:			
Real estate and personal property taxes	709,185	11,205	720,390
Tax/utility liens	2,529,326	-	2,529,326
Excises	437,491	-	437,491
Departmental and other	27,898	268,252	296,150
Due from other governments	2,660,037	2,347,470	5,007,507
Loans	-	2,046,306	2,046,306
Betterments	433,508	-	433,508
Prepayments	337,397	-	337,397
Cash and investments, restricted	-	347,889	347,889
Total Assets	<u>\$ 9,031,494</u>	<u>\$ 8,814,938</u>	<u>\$ 17,846,432</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,725,379	\$ 175,020	\$ 1,900,399
Accrued expenses:			
Payroll and taxes	373,999	59,796	433,795
Notes payable	-	320,825	320,825
Deferred revenues	6,604,300	4,779,008	11,383,308
Other liabilities	92,823	-	92,823
Total Liabilities	<u>8,796,501</u>	<u>5,334,649</u>	<u>14,131,150</u>
<b>FUND BALANCES</b>			
Reserved for:			
Encumbrances and continued appropriations	250,273	-	250,273
Community preservation	-	983,472	983,472
Public safety	-	6,013	6,013
Education	-	48,349	48,349
Culture and recreation	-	57,611	57,611
Other programs	-	62,457	62,457
Perpetual permanent funds	-	311,816	311,816
Unreserved:			
Designated for subsequent year expenditures	-	158,092	158,092
Undesignated, reported in:			
General fund	(15,280)	-	(15,280)
Capital projects funds	-	76,690	76,690
Special revenue funds	-	1,775,789	1,775,789
Total Fund Balances	<u>234,993</u>	<u>3,480,289</u>	<u>3,715,282</u>
Total Liabilities and Fund Balances	<u>\$ 9,031,494</u>	<u>\$ 8,814,938</u>	<u>\$ 17,846,432</u>

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

**TOWN OF WAREHAM, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008**

Total governmental fund balances, Exhibit 3	\$ 3,715,282
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not functional resources and, therefore, are not reported in the funds	81,332,051
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds but are deferred. These include:	
Real estate and personal property taxes	8,639,803
	<u>93,687,136</u>
Liens receivable are reflected in governmental funds in the amount of tax assessed and are offset by an equal amount of deferred revenue. Governmental funds include unrecorded interest, eliminate deferred and make a provision for uncollectible amounts	470,593
Governmental funds report the provision for abatements and exemptions as as liability whereas the government wide reflect this amount as a reservation of fund balance reduced by tax refunds payable	189,118
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due	(147,554)
Internal service funds are used by management to account for health, workers compensation, property and liability insurance activities. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets	2,492,748
Long term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds and notes payable	(7,904,711)
Capital lease	(127,211)
Compensated absences	(1,461,459)
Special termination benefits	(1,535,875)
Net assets of governmental activities, Exhibit 1	<u>\$ 85,662,785</u>

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

**TOWN OF WAREHAM, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 26,602,231	\$ 555,405	\$ 27,157,636
Tax liens	506,243	6,829	513,072
Excises	2,333,068	-	2,333,068
Interest and penalties	295,291	3,530	298,821
Departmental	308,707	3,670,294	3,979,001
Charges for services	555,416	-	555,416
Licenses and permits	884,043	-	884,043
Contributions	-	250,216	250,216
Intergovernmental - federal	-	3,413,914	3,413,914
Intergovernmental - state	21,195,051	1,142,469	22,337,520
Fines and forfeitures	36,747	-	36,747
Investment income	197,594	126,744	324,338
Miscellaneous	141,501	155,753	297,254
Total Revenues	<u>53,055,892</u>	<u>9,325,154</u>	<u>62,381,046</u>
<b>EXPENDITURES</b>			
General government	2,818,840	2,016,038	4,834,878
Public safety	4,746,732	1,239,030	5,985,762
Education	31,433,059	4,883,920	36,316,979
Public works	1,596,206	722,614	2,318,820
Human services	566,391	636,929	1,203,320
Culture and recreation	540,742	505,445	1,046,187
Debt service	2,855,102	49,891	2,904,993
Intergovernmental charges	1,741,881	-	1,741,881
Employee benefits	5,919,458	-	5,919,458
Retirement contribution	2,096,093	-	2,096,093
Insurance	644,207	-	644,207
Capital outlay	-	51,833	51,833
Total Expenditures	<u>54,958,711</u>	<u>10,105,700</u>	<u>65,064,411</u>
Excess (deficiency) of revenues over expenditures	(1,902,819)	(780,546)	(2,683,365)
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	-	280,000	280,000
Operating transfers in	1,180,718	-	1,180,718
Operating transfers out	-	(292,156)	(292,156)
Total Other Financing Sources (Uses)	<u>1,180,718</u>	<u>(12,156)</u>	<u>1,168,562</u>
Net change in fund balances	(722,101)	(792,702)	(1,514,803)
FUND BALANCE, Beginning of Year	<u>957,094</u>	<u>4,272,991</u>	<u>5,230,085</u>
FUND BALANCE, End of Year	<u>\$ 234,993</u>	<u>\$ 3,480,289</u>	<u>\$ 3,715,282</u>

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



**TOWN OF WAREHAM, MASSACHUSETTS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Net changes in fund balances - total governmental funds, Exhibit 4 \$ (1,514,803)

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.

Equipment purchases	1,850,709
Depreciation	(2,855,506)

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the Statement of Revenues, Expenditures, and Changes in Fund balances.

Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.

1,214,822

State aid in the statement of activities does not include the portion of school building assistance attributable to interest expense. This amount is the portion of state aide allocated to offset current interest expense.

(1,098,507)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of activities.

Bonds issued	(280,000)
Bond maturities	2,176,003

Activity of the internal service funds are included in the statement of activities but are not reported as part of the governmental funds receipts, expenditures, and changes in fund balance. This amount is the net results of operations of the internal service funds.

1,094,210

Governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.

322,028

Some expenses reported in the governmental funds require the use of current financial resources but are for future periods and are therefore not reported in the Statement of Activities.

132,003

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and , therefore, are not reported as expenditures in the governmental funds. This amount represents the net change in the following liabilities:

Compensated absences	81,191
Early retirement incentive	114,655
	195,846

Changes in net assets of governmental activities, Exhibit 2 \$ 1,236,805

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

**TOWN OF WAREHAM, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	Business-type activities	
	Water Pollution Control Facility	Internal Service Funds
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,179,711	\$ 2,756,319
Receivables, net of uncollectible accounts:		
Betterments	648,477	-
Tax/utility liens	66,000	-
Charges for services	835,056	-
Due from other governments	1,410,644	-
Deposits	-	163,140
Total current assets	6,139,888	2,919,459
Noncurrent assets:		
Due from other governments	9,305,445	-
Tax/utility liens	34,434	-
Betterments	9,359,818	-
Land and construction in progress	6,103,768	-
Capital assets, net	59,291,553	-
Total noncurrent assets	84,095,018	-
Total Assets	\$ 90,234,906	\$ 2,919,459
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 117,563	-
Accrued expenses:		
Payroll and taxes	14,418	-
Interest	522,623	-
Compensated absences	68,830	-
Bonds and notes payable	3,110,176	-
Retained risk	-	\$ 426,711
Total current liabilities	3,833,610	426,711
Non-current liabilities:		
Non-current portion of long-term liabilities:		
Bonds and notes payable	34,941,698	-
Total non-current liabilities:	34,941,698	-
Total Liabilities	38,775,308	426,711
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	34,285,493	-
Unrestricted	17,174,105	2,492,748
Total net assets	51,459,598	2,492,748
Total Liabilities and Net Assets	\$ 90,234,906	\$ 2,919,459

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

**TOWN OF WAREHAM, MASSACHUSETTS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Business-type activities	
	Water Pollution Control Facility	Internal Service Funds
<b>REVENUES</b>		
User charges for services	\$ 6,023,177	-
Other charges for services	191,692	-
Interest and penalties	249,028	\$ 21,437
Employee	-	2,096,789
Employer	-	5,496,138
Total Operating Revenues	<u>6,463,897</u>	<u>7,614,364</u>
<b>OPERATING EXPENSES</b>		
Personnel costs	860,121	-
Purchase of services	973,820	-
Supplies	323,288	-
Other charges and expenses	189,491	-
Depreciation	1,959,699	-
Employee benefits	-	6,203,950
Total Operating Expenses	<u>4,306,419</u>	<u>6,203,950</u>
Operating income (loss)	<u>2,157,478</u>	<u>1,410,414</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Betterments	6,385,983	-
Intergovernmental	727,398	-
Interest expense	(1,545,237)	-
Total Non Operating Revenues (Expenses)	<u>5,568,144</u>	<u>-</u>
Income (loss) before transfers	<u>7,725,622</u>	<u>1,410,414</u>
Operating transfers out	<u>(888,562)</u>	<u>-</u>
Total transfers	<u>(888,562)</u>	<u>-</u>
Change in Net Assets	<u>6,837,060</u>	<u>1,410,414</u>
Net Assets, beginning	<u>44,622,538</u>	<u>1,082,334</u>
Net Assets, ending	<u>\$ 51,459,598</u>	<u>\$ 2,492,748</u>

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

**TOWN OF WAREHAM, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Business-type activities - Enterprise Funds	Internal Service Funds
	Water Pollution Control Facility	Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 6,337,000	\$ 7,614,364
Payments to vendors	(1,764,371)	(6,147,878)
Payments to employees	(638,463)	-
Net Cash Provided by (Used in) Operating Activities	3,934,166	1,466,486
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers	(888,562)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	(888,562)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from issuance of bonds and notes	500,000	-
Receipts from betterments	861,940	-
Principal payments on bonds and notes	(1,985,767)	-
Acquisition and construction of capital assets	(842,363)	-
Interest payments	(791,705)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	(2,257,895)	-
Net increase (decrease) in cash and cash equivalents	787,709	1,466,486
Cash and cash equivalents, beginning	2,392,002	1,289,833
Cash and cash equivalents, ending	\$ 3,179,711	\$ 2,756,319
Reconciliation of operating income to net cash provided by (used by) operating activities		
Operating income (loss)	\$ 2,157,478	\$ 1,410,414
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,959,699	-
Changes in assets and liabilities:		
Charges for services	(195,425)	-
Deposits	-	(83,940)
Accounts payable and accrued expenses	12,414	140,012
Total adjustments	1,776,688	56,072
Net Cash Provided by (Used in) Operating Activities	\$ 3,934,166	\$ 1,466,486

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

**TOWN OF WAREHAM, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	Private Purpose Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 633,711	\$ 738,932
Total Assets	<u>\$ 633,711</u>	<u>\$ 738,932</u>
 <b>LIABILITIES</b>		
Other liabilities	<u>-</u>	\$ 738,932
Total Liabilities	-	738,932
 <b>NET ASSETS</b>		
Net assets held in trust	<u>\$ 633,711</u>	<u>-</u>
 Total Liabilities and Net Assets	<u>\$ 633,711</u>	<u>\$ 738,932</u>

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

**TOWN OF WAREHAM, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Private Purpose <u>Trust Funds</u>
<b>ADDITIONS</b>	
Contributions	\$ 952
Total contributions	<u>952</u>
<b>INVESTMENT EARNINGS</b>	
Interest and dividends	<u>28,818</u>
Total investment earnings	<u>28,818</u>
Total additions	<u>29,770</u>
<b>DEDUCTIONS</b>	
Education	<u>1,400</u>
Total Deductions	<u>1,400</u>
Change in Fiduciary Net Assets	<u>28,370</u>
Net Assets, beginning	<u>605,341</u>
Net Assets, ending	<u><u>\$ 633,711</u></u>

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

**TOWN OF WAREHAM, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

**A. Reporting Entity**

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

**B. Basis of Presentation, Basis of Accounting**

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

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

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

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

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

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



**TOWN OF WAREHAM, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

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

The Town reports the following major enterprise fund:

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

The Town reports the following fund types:

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

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

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

**Measurement Focus, Basis of Accounting**

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

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

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

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

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

**C. Assets, Liabilities, and Equity**

**Cash and Investments**

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

**Restricted Cash and Investments**

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

**Receivables**

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

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

**TOWN OF WAREHAM, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

**Receivables, Revolving Loan Programs**

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

**Property Taxes**

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

**Motor Vehicle Excise Taxes**

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

**WPCF User Charges**

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

**Intergovernmental**

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

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

**Inventories**

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

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable Town or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the Town as assets with an initial, individual cost of more than amounts shown below and an estimated useful life in excess of one year.

<u>Asset Class</u>	<u>Capitalization Threshold</u>
Equipment and vehicles	\$25,000
Buildings and land	\$100,000
Infrastructure	\$500,000

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

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Town during the current fiscal year was \$401,401.

**TOWN OF WAREHAM, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

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

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

**Inter-fund Transactions**

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

**Inter-fund Transfers**

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

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

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

**Deferred and Unearned Revenue, Town**

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

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

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

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

**Net Assets and Fund Equity**

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

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

Community preservation funds, \$1,437,318 are restricted.

Highways, \$1,038,031 represents amounts committed by the Commonwealth of Massachusetts under the Chapter 90 program for repair and/or reconstruction of streets and sidewalks.

Perpetual funds - expendable, \$254,541, represents amounts held in trust for which the expenditures are restricted by various trust agreements.

Perpetual funds - non expendable, \$311,816, represents amounts held in trust for which only investment earnings may be expended.

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

Fund balances have been reserved for the following purposes:

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

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

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

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

Fund balances have been designated for subsequent year expenditures and represent amounts appropriated by the Town Meeting for the fiscal year 2009 budget.

**Long Term Debt**

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

*Governmental Fund Financial Statements* - The face amount of proceeds from the issuance of governmental funds long term debt is reported as other financing sources. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds, are reported as General Government (treasury and collection) expenditures.

**Investment Income**

Excluding the permanent funds, investment income derived from major and non major governmental funds is legally assigned to the General Fund, unless otherwise directed by legal or contractual provisions.

**Interest Expense**

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

**Compensated Absences**

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

**Post Retirement Benefits**

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

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

Currently, 112 retirees are provided post-retirement benefits. The Town pays approximately 75% of medical and life insurance premiums for the retirees and their dependents. The Town recognizes the cost of providing these benefits by expensing premiums in the year paid (pay-as-you-go method). The cost incurred in fiscal 2008 (net of retiree contributions) was approximately \$991,000.

**Use of Estimates**

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

**Total Column**

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

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

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

**A. Budget Information, Town**

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

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



**TOWN OF WAREHAM, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

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

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

An annual budget is voted in conformity with the guidelines described above. The original fiscal year 2008 budget authorized \$50,591,315 in appropriations and other amounts to be raised (including \$156,715 in encumbrances and continued appropriations brought forward from the fiscal year ended June 30, 2007). During the fiscal year, Special Town Meetings authorized supplemental appropriations totaling \$250,746 for a total final budget of \$50,842,061. There were no transfers to other funds during the fiscal year. A total of \$250,273 in appropriation balances were carried forward into fiscal year 2009 to support encumbrances and continuing appropriations.

**B. Budgetary - GAAP Reconciliation**

Accounting principles followed for purposes of preparing the basic financial statements on a budgetary basis differ from those used to present basic financial statements in accordance with generally accepted accounting principles (GAAP). A reconciliation of the budgetary-basis to GAAP basis results for the General Fund for the fiscal year ended June 30, 2008 is presented below:

Net change in budgetary amounts, budgetary basis	(\$ 709,804)
Basis of accounting differences:	
Recognition of Commonwealth of Massachusetts revenue	
“on-behalf” payments for teachers retirement contributions	4,668,130
Prior year appropriations for encumbrances and carryover articles	( 156,715)
Other financing sources not reflected on a GAAP basis	( 128,571)
Other financing uses not reflected on a GAAP basis	91,171
Allocation of expense to Water Pollution Control Facility	181,818
Recognition of intergovernmental expense “on-behalf” payments for teachers retirement contributions	( 4,668,130)
Net change in fund balances, GAAP basis	(\$ <u>722,101</u> )

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

C. Excess of Expenditures over Appropriations

The Town experienced operational deficits in its snow and ice account in the amount of \$222,383.

D. Deficit Fund Equity

Capital project funds may reflect an accumulated deficit as a result using bond anticipation notes to finance interim project costs. The Town intends to fund such accumulated deficits through the issuance of long-term bonds in future years. There were no significant individual project deficits at year end.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

A. Summary of Deposit and Investment Balances, Town

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

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

B. Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2008, \$5,673,495 of the Town's bank balance of \$14,016,729 was uninsured and uncollateralized.

**NOTE 4 - RECEIVABLES**

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

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 4 - RECEIVABLES - Continued**

	<u>General</u>	Nonmajor Govern- mental <u>Funds</u>	Business Type Water Pollution <u>Control</u>	<u>Total</u>
Taxes	\$4,146,595	\$ 11,205		\$ 4,157,800
Accounts	27,898	378,458	\$ 986,425	1,392,781
Betterments	433,508		9,981,260	10,414,768
Loans		2,046,306		2,046,306
Intergovernmental	<u>2,660,037</u>	<u>2,347,470</u>	<u>10,716,089</u>	<u>15,723,596</u>
Gross Receivables	7,268,038	4,783,439	21,683,774	33,735,251
Less: allowance for uncollectibles	<u>                    </u>	( <u>110,208</u> )	( <u>23,900</u> )	( <u>134,108</u> )
Net total receivable	<u>\$7,268,038</u>	<u>\$4,673,231</u>	<u>\$21,659,874</u>	<u>\$33,601,143</u>

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

	<u>General</u>	Nonmajor Govern- mental <u>Funds</u>	Business-Type Water Pollution <u>Control</u>	<u>Total</u>
Taxes	\$1,800,000			\$ 1,800,000
Accounts			\$ 34,434	34,434
Betterments	405,600		9,359,818	9,765,418
Loans		\$1,911,306		1,911,306
Intergovernmental	<u>1,158,684</u>	<u>                    </u>	<u>9,305,445</u>	<u>10,464,129</u>
Total receivables, long-term	<u>\$3,364,284</u>	<u>\$1,911,306</u>	<u>\$18,699,697</u>	<u>\$23,975,287</u>

Revenues of the Water Pollution Control Facility are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are \$23,900.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

**TOWN OF WAREHAM, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 4 - RECEIVABLES - Continued**

<u>Receivable Type</u>	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Real estate and personal property taxes	\$ 1,168,900		\$ 1,168,900
Tax/utility liens	2,330,313		2,330,313
Excises	437,491		437,491
Ambulance	268,252		268,252
Highway	1,552,524		1,552,524
Grants		\$458,079	458,079
Departmental and other	461,406		461,406
Loan programs	2,046,306		2,046,306
Due from other governments	<u>2,660,037</u>	<u>          </u>	<u>2,660,037</u>
Total	<u>\$10,925,229</u>	<u>\$458,079</u>	<u>\$11,383,308</u>

**NOTE 5 - CAPITAL ASSETS**

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

<b>Governmental Activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 3,781,889			\$ 3,781,889
Construction in progress	<u>2,939,210</u>	<u>\$ 112,307</u>	<u>(\$3,051,517)</u>	<u>          </u>
Total capital assets, not being depreciated	6,721,099	112,307	( 3,051,517)	3,781,889
Capital assets, being depreciated:				
Buildings	67,719,046			67,719,046
Improvements	1,375,764	2,962,727		4,338,491
Machinery and equipment	7,242,022	272,490		7,514,512
Infrastructure	<u>47,783,258</u>	<u>363,569</u>	<u>          </u>	<u>48,146,827</u>
Total capital assets, being depreciated	124,120,090	3,598,786	-	127,718,876
Less accumulated depreciation for:				
Buildings	24,786,899	1,131,790		25,918,689
Improvements	597,412	131,606		729,018
Machinery and equipment	5,136,989	509,245		5,646,234
Infrastructure	<u>16,791,908</u>	<u>1,082,865</u>	<u>          </u>	<u>17,874,773</u>
Total accumulated depreciation	<u>47,313,208</u>	<u>2,855,506</u>	<u>-</u>	<u>50,168,714</u>
Total capital assets, being depreciated, net	<u>76,806,882</u>	<u>743,280</u>	<u>-</u>	<u>77,550,162</u>
Governmental activities capital assets, net	<u>\$83,527,981</u>	<u>\$ 855,587</u>	<u>(\$3,051,517)</u>	<u>\$81,332,051</u>

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 5 - CAPITAL ASSETS - Continued**

<b>Business-type Activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 4,842,708			\$ 4,842,708
Construction in progress	<u>4,717,166</u>	<u>\$ 817,897</u>	<u>(\$4,274,003)</u>	<u>1,261,060</u>
Total capital assets, not being depreciated	9,559,874	817,897	( 4,274,003)	6,103,768
Capital assets, being depreciated:				
Buildings and system	29,837,088	161,060		29,998,148
Improvements other than buildings	37,028,135	4,112,943		41,141,078
Machinery and equipment	<u>14,119,043</u>	<u>                    </u>	<u>                    </u>	<u>14,119,043</u>
Total capital assets, being depreciated	80,984,266	4,274,003	-	85,258,269
Less accumulated depreciation for:				
Buildings and system	2,438,938	598,923		3,037,861
Improvements other than buildings	13,257,299	937,444		14,194,743
Machinery and equipment	<u>8,310,780</u>	<u>423,332</u>	<u>                    </u>	<u>8,734,112</u>
Total accumulated depreciation	<u>24,007,017</u>	<u>1,959,699</u>	<u>-</u>	<u>25,966,716</u>
Total capital assets, being depreciated, net	<u>56,977,249</u>	<u>2,314,304</u>	<u>-</u>	<u>59,291,553</u>
Business-type activities capital assets, net	<u>\$66,537,123</u>	<u>\$3,132,201</u>	<u>(\$4,274,003)</u>	<u>\$65,395,321</u>

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

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General government	\$ 147,878	WPCF	\$1,959,698
Public safety	168,962		
Education	1,143,402		
Public works	1,244,972		
Human services	54,470		
Culture and recreation	<u>95,822</u>		
Total	<u>\$2,855,506</u>	Total	<u>\$1,959,698</u>

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

Transfers to/from Other Funds

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement. Inter-fund transfers for the fiscal year ended June 30, 2008, consisted of the following:

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

<u>Transfers (to) from</u>	<u>General Fund</u>	<u>Non-Major Governmental</u>	<u>Business- Type</u>
Wetlands	\$ 30,000	(\$ 30,000)	
Harbor service	45,000	( 45,000)	
Parking meter fund	43,531	( 43,531)	
Cemetery	20,000	( 20,000)	
Waterways	35,000	( 35,000)	
Grants	8,016	( 8,016)	
WPCF enterprise	888,562		(\$888,562)
Offset receipts	<u>110,609</u>	( <u>110,609</u> )	<u>          </u>
Subtotal transfers	<u>\$1,180,718</u>	<u>(\$292,156)</u>	<u>(\$888,562)</u>

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

	<u>WPCF</u>
Gross transfers	(\$1,049,535)
Expenses allocated	<u>160,973</u>
Net transfers	<u>(\$ 888,562)</u>

**NOTE 7 - LEASES**

Capital Leases

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

<u>Asset</u>	<u>Governmental Activities</u>
School transportation equipment	\$605,317
Less: Accumulated depreciation	( <u>264,826</u> )
Total	<u>\$340,491</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008 were as follows:

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 7 - LEASES - Continued**

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2009	<u>\$132,003</u>
Total minimum lease payments	132,003
Less: amount representing interest	( <u>4,792</u> )
Present value of minimum lease payments	<u>\$127,211</u>

**NOTE 8 - SHORT-TERM FINANCING**

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

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

Temporary loans are general obligations of the Town and carry maturity dates which are limited by statute. Interest expenditures for temporary borrowings of governmental funds were \$379,539 and expenditures for temporary borrowing of Business-type funds were \$764,685. When paid, such expenditures are accounted for in the General Fund and Enterprise Fund, respectively. As of June 30, 2008, the Town had outstanding the following loans:

	<u>Interest Rates</u>	<u>BANS</u>
Outstanding 7/1/2007	1.75-2.50%	\$ 80,000
Issued	2.39%	820,825
Retired	1.75-2.50%	<u>80,000</u>
Balance 6/30/2008		<u>\$ 820,825</u>

Short term debt was issued for the following purposes:

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

Community Preservation	\$ 50,000
Title V	20,825
Education	250,000
Sewer	<u>500,000</u>
Total	\$ <u>820,825</u>

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

**NOTE 9 - LONG-TERM DEBT**

The Town is subject to debt limits established Massachusetts General Laws Chapter 44, Section 10. Such limits are equal to 5% and 10% of the equalized valuation of taxable property and are known as debt issued inside and outside the debt limit. Details related to outstanding indebtedness at June 30, 2008, and debt service requirements follow.

See next page for full schedule.



**TOWN OF WAREHAM, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

**A. Bonds Payable**

<u>Purpose of Bonds</u>	<u>Interest Rates</u>	<u>Balance 6/30/2007</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 6/30/2008</u>
<u>Governmental Funds:</u>					
Public library construction	6.1-7.5%	\$ 195,000		\$ 70,000	\$ 125,000
Multi-purpose	3.85-5.25%	4,027,000		1,640,000	2,387,000
Septic-management #1		130,444		10,872	119,572
Septic-management #2		147,066		10,602	136,464
Multi-purpose	3.125-4.875%	1,020,000		105,000	915,000
Multi-purpose	3.5-5.0%	2,995,000		300,000	2,695,000
Septic-management #3		166,204		9,529	156,675
Multi-purpose		1,420,000		330,000	1,090,000
Septic-management #4			\$200,000		200,000
Multi-purpose	6.50%		<u>80,000</u>		<u>80,000</u>
Total governmental funds		<u>\$10,100,714</u>	<u>\$280,000</u>	<u>\$2,476,003</u>	<u>\$7,904,711</u>
<u>Business-type Funds:</u>					
Sewer design & construction	3.125-4.875%	\$ 2,245,000		\$ 150,000	\$ 2,095,000
Sewer design & construction	3.85-5.25%	1,148,000		105,000	1,043,000
Sewer design & construction	6.0%	202,881		15,607	187,274
Sewer design & construction	6.0%	112,120		28,030	84,090
Sewer design & construction	5.875%	47,500		9,500	38,000
MWPAT construction	variable	5,146,532		641,924	4,504,608
MWPAT construction	3.7-5.6%	8,027,550		403,758	7,623,792
MWPAT construction	3.7-5.6%	10,878,067		515,156	10,362,911
Sewer planning	3.5-5.0%	530,000		35,000	495,000
Sewer, Wewehantic	3.75-4.0%	3,135,000		170,000	2,965,000
Sewer, Pump Station	3.75-4.0%	760,000		40,000	720,000
Sewer	4.0-5.0%	1,000,000		170,000	830,000
MWPAT construction		<u>6,883,209</u>		<u>280,010</u>	<u>6,603,199</u>
Total business-type funds		<u>\$40,115,859</u>	<u>\$ -</u>	<u>\$2,563,985</u>	<u>\$37,551,874</u>

**TOWN OF WAREHAM, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

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

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 2,561,999	\$ 299,460	\$ 2,610,176	\$ 1,421,949
2010	931,999	218,767	2,625,668	1,336,020
2011	871,999	179,720	2,668,535	1,246,708
2012	541,999	143,130	2,635,133	1,155,514
2013	525,563	130,132	2,660,140	1,064,287
2014-2018	1,622,157	332,535	11,159,696	3,660,757
2019-2023	788,995	86,699	10,209,754	1,424,422
2024-2028	<u>60,000</u>	<u>500</u>	<u>2,982,772</u>	<u>93,468</u>
Totals	<u>\$7,904,711</u>	<u>\$1,390,943</u>	<u>\$37,551,874</u>	<u>\$11,403,125</u>

The Commonwealth of Massachusetts has approved school building assistance grant reimbursements for the Wareham high school which is financed with outstanding debt. This assistance program, administered by the Massachusetts School Building Authority (MSBA) provides resources for future debt service payments for approved projects. During the fiscal year ended June 30, 2008 the Town received \$1,171,856 of such assistance(interest reimbursement of \$73,348 is reflected in current year operating grants for education) and an additional \$2,343,717 (\$2,330,545 in principal and \$13,172 in interest) has been committed for the period July 1, 2009 through June 30, 2010. An intergovernmental receivable in the amount of \$2,330,545 has been reported in both the statement of net assets and balance sheet for high school assistance.

The School Building Authority has also approved funding in the amount of \$21,165,157 for the Wareham middle school renovation. At June 30, 2008, the outstanding balance of \$329,492 has been recorded as part of intergovernmental receivables in the general fund. In the current year, the Town has recognized an educational capital contribution of \$329,492 for interest to offset applicable middle school renovation costs.

The Town reflects interest on general long-term liabilities as an indirect expense. However, interest on debt related to the construction or rehabilitation of major assets is included in direct expense in those limited instances when borrowing is essential to the creation or continuing existence of a program. These financial statements reflect \$159,071 of interest expense related to the High School renovation and construction as part of direct education expense.

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

**B. Interest Expense**

Total governmental interest expense for the year from temporary and long-term debt was \$401,401 including the \$159,071 charged to education. Total business type interest expense was \$1,474,034 which includes an interest subsidy of \$727,394 from the Massachusetts Water Pollution Abatement Trust (MWPAT).

**C. Overlapping Debt**

The Town pays assessments which include debt service payments to other governmental agencies providing services to the Town (commonly referred to as overlapping or conduit debt). The following summary sets forth the debt of such governmental agencies and the estimated share being financed by the Town as of June 30, 2008.

<u>Agency</u>	<u>Debt Outstanding</u>	<u>Town's Estimated Share</u>	<u>Town's Indirect Debt</u>
Upper Cape Cod Regional- Vocational School	<u>\$1,610,000</u>	22.87%	<u>\$368,207</u>

**D. Loans Authorized and Unissued**

The Town's authorized and unissued debt as of June 30, 2008 consists of the following:

<u>Purpose</u>	<u>Amounts Authorized</u>	<u>Amounts Unissued</u>	<u>Amounts to be Rescinded</u>
Up-grade water pollution control facility	\$24,300,000	\$ 355,624	\$ 355,624
Wareham Middle School	22,587,793	12,631	
Sewer System Weweantic Shores	4,200,000	200,000	200,000
Sewer	7,200,000	1,000,800	
Land acquisition	550,000	65,184	65,184
School remodeling	410,000	410,000	410,000
Highways	2,100,000	2,100,000	2,100,000
Sewer planning	1,500,000	500,000	
Sewer	20,000,000	20,000,000	
Town Hall roof restoration	179,214	179,214	
Perpetual conservation restriction	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
Totals	<u>\$83,427,007</u>	<u>\$25,223,453</u>	<u>\$3,530,808</u>

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

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

<u>Description and purpose</u>	<u>Balance 6/30/2007</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 6/30/2008</u>	<u>Due in One Year</u>
<u>Government activities:</u>					
Bonds payable	\$10,100,714	\$280,000	\$2,476,003	\$7,904,711	\$2,561,999
Notes payable	80,000	320,825	80,000	320,825	320,825
Compensated absences	1,499,179		37,720	1,461,459	325,000
Capital lease obligation	249,804		122,593	127,211	127,211
Special termination benefits	1,650,531		114,656	1,535,875	118,384
Capital acquisition	<u>1,100,000</u>	<u>          </u>	<u>1,100,000</u>	<u>          </u>	<u>          </u>
Governmental activity					
Long-term liabilities	<u>\$14,680,228</u>	<u>\$600,825</u>	<u>\$3,930,972</u>	<u>\$11,350,081</u>	<u>\$3,453,419</u>
<u>Business-type activities:</u>					
Bonds payable	\$40,115,859		\$2,563,985	\$37,551,874	\$2,610,176
Notes payable	<u>          </u>	<u>\$500,000</u>	<u>          </u>	<u>500,000</u>	<u>500,000</u>
Business-type activity					
Long-term liabilities	<u>\$40,115,859</u>	<u>\$500,000</u>	<u>\$2,563,985</u>	<u>\$38,051,874</u>	<u>\$3,110,176</u>

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

**NOTE 10 - RISK FINANCING**

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

**A. Health Insurance**

Effective July 1, 2004, the Town adopted the use of an internal service fund accumulate resources and pay claims for health related insurance. The Town estimates Incurred But Not Reported (IBNR) claims as one and one half months average monthly health costs and one month of average monthly dental cost. At June 30, 2008, the Town's health IBNR liability totaled \$426,711. Funding is provided by annual appropriation from the general fund and by employee contributions. Changes in the reported liabilities since July 1, 2007 are as follows:

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 10 - RISK FINANCING - Continued**

Liability balance June 30, 2007	\$ 286,699
Claims and changes in estimates	6,620,335
Claims payments	( 6,480,323)
Liability balance June 30, 2008	\$ <u>426,711</u>

A stop loss insurance contract executed with Standard Security Life Insurance Company of New York sets the maximum liability to the Town at \$100,000 per claim per year. The plan administrator is Blue Cross Blue Shield of Massachusetts, Inc.

**B. Workers Compensation**

The Town does not self insure for workers compensation.

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

**A. Plan Description**

The Town contributes to the Plymouth County Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth County Retirement Board. Substantially all employees are members of the System except for public school teachers who are members of the Commonwealth of Massachusetts Teachers Contributory Retirement System (MTCRS) to which the Town does not contribute. Contributions to the MTCRS are funded by the Commonwealth of Massachusetts. During the current year, the Town has recorded Intergovernmental - State income and an equal retirement expense of \$4,668,130 within the general fund.

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

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

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

**B. Funding Policy**

Plan members are required to contribute to the System at rates from 5% to 9% of their annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution plus administrative costs which are apportioned among the employers based on active current payroll as determined by the Public Employees Retirement Administration Commission. The contribution of plan members and the Town are governed by Chapter 332 of the MGL. The Town's contributions to the System for the years ended June 30, 2008, 2007, 2006, 2005, 2004, 2003, and 2002 were \$2,142,811, \$2,016,728, \$1,838,199, \$1,438,355, \$1,227,115, \$1,083,128, and \$1,051,729 respectively, which equaled its required contribution for each year.

**NOTE 12 - COMMITMENTS**

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

	<u>Spent to</u> <u>June 30, 2008</u>	<u>Remaining</u> <u>Commitment</u>
<u>Business-type Activities:</u>		
Sewer Project Design	<u>\$882,524</u>	<u>\$310,076</u>

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

**NOTE 13 - CONTINGENCIES**

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

**TOWN OF WAREHAM, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 14 - JOINT VENTURE**

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

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

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

The powers and duties of the regional school district are vested in and exercised by a regional school district committee composed of representatives of the member towns of Bourne, Falmouth, Marion, Sandwich, and Wareham Massachusetts. The committee has all powers and duties conferred and imposed upon regional school district committees by law.

**B. On-going Financial Responsibility**

Annual assessments are levied by the District against member towns based on relative enrollment. Wareham's annual assessment for the current year was 1,738,608. The district's financial statements are audited by another independent accounting firm on an annual basis. These financial statements are not examined by the Town's independent auditors. Financial statements are available at Upper Cape Cod Regional Technical School, 220 Sandwich Road, Bourne, Massachusetts.

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



**TOWN OF WAREHAM, MASSACHUSETTS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Budgetary <u>Amounts</u>
Budgetary balances, beginning	\$ 156,715	\$ 156,715	\$ 156,715
<b>Resources</b>			
Property taxes	27,123,732	27,123,732	27,108,474
Excises	2,510,000	2,510,000	2,333,068
Interest and penalties	350,000	350,000	295,291
Departmental	408,380	408,380	308,707
Charges for services	706,620	706,620	555,416
Licenses and permits	980,800	980,800	884,043
Intergovernmental	16,539,977	16,539,977	16,526,921
Fines and forfeitures	126,200	126,200	36,747
Investment income	360,000	360,000	197,594
Miscellaneous	198,000	198,000	141,501
Other available funds	22,356	128,571	128,571
Operating transfers in	1,108,535	1,253,066	1,180,718
Total available for appropriation	<u>50,591,315</u>	<u>50,842,061</u>	<u>49,853,766</u>
<b>Appropriations</b>			
General government	3,051,792	3,050,404	2,818,840
Public safety	4,825,996	4,885,527	4,746,732
Education	26,711,030	26,711,030	26,764,929
Public works	1,313,489	1,405,369	1,596,206
Human services	547,372	606,217	566,391
Culture and recreation	558,912	540,912	540,742
Debt service	2,858,000	2,858,000	2,855,102
Intergovernmental charges	1,807,220	1,807,220	1,752,304
Employee benefits	6,031,138	6,017,972	6,005,712
Retirement contribution	2,125,195	2,170,543	2,170,543
Insurance	670,000	697,696	654,898
Capital outlay			-
Operating transfers out	-	-	-
Other financing uses	91,171	91,171	91,171
Total charges to appropriations	<u>50,591,315</u>	<u>50,842,061</u>	<u>50,563,570</u>
Net change in budgetary amounts	\$ <u>-</u>	\$ <u>-</u>	(709,804)
Add: revenue short fall			988,295
Less: departmental underspending			(593,556)
Less: prepay and accrual adjustments			(179,193)
Add: amounts to be raised in subsequent year			744,531
Budgetary balances, ending			\$ <u>250,273</u>

**TOWN OF WAREHAM, MASSACHUSETTS**

**SINGLE AUDIT**

# Claude Boudwin LLC

## CERTIFIED PUBLIC ACCOUNTANT

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

To the Board of Selectmen  
Town of Wareham  
Wareham, Massachusetts

#### Compliance

I have audited the compliance of the Town of Wareham, Massachusetts with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The Town of Wareham, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Wareham, Massachusetts' management. My responsibility is to express an opinion on Town of Wareham, Massachusetts' compliance based on my audit.

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

In my opinion, the Town of Wareham, Massachusetts complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.



To the Board of Selectmen  
Town of Wareham, Massachusetts

Internal Control Over Compliance

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

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

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

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

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

*Claude Bourdin LLC*

August 25, 2009

**TOWN OF WAREHAM, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Massachusetts Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	305-369-8-0310-I	\$ 632,178
Title I Grants to Local Educational Agencies	84.010	305-422-8-0310-I	99,569
Title I Grants to Local Educational Agencies	84.010	323-025-8-0310-I	1,500
Title I Grants to Local Educational Agencies	84.010	305-320-7-0310-H	136,562
Title I Grants to Local Educational Agencies	84.010	305-435-7-0310-H	19,634
Special Education - Grants to States	84.027	240-241-8-0310-I	615,766
Special Education - Grants to States	84.027	274-336-8-0310-I	9,473
Special Education - Grants to States	84.027	256-099-7-0310-H	4,500
Special Education - Grants to States	84.027	274-219-7-0310-H	9,827
Special Education - Grants to States	84.027	240-173-7-0310-H	193
Perkins Act Allocation	84.048	400-073-8-0310-I	15,347
Title VI	84.298	302-328-8-0310-A	6,772
Title VI	84.151	302-294-7-0310-A	2,457
Safe and Drug-Free Schools and Communities - State Grants	84.186	331-209-8-0310-I	16,864
Safe and Drug-Free Schools and Communities - State Grants	84.186	331-224-7-0310-H	2,651
Twenty-First Century Community Learning Centers	84.287	647-032-8-0310-I	48,878
Twenty-First Century Community Learning Centers	84.287	647-033-8-0310-I	72,570
Twenty-First Century Community Learning Centers	84.287	647-013-7-0310-H	49,133
Education Technology State Grants	84.318	160-223-8-0310-I	2,743
Education Technology State Grants	84.318	164-005-8-0310-I	40,242
Education Technology State Grants	84.318	170-021-7-0310-H	36,552
Education Technology State Grants	84.318	160-243-7-0310-H	1,944
Improving Teacher Quality State Grants	84.367	140-313-8-0310-I	192,424
Improving Teacher Quality State Grants	84.367	140-297-7-0310-H	18,484
Community Service Learning Partnership	94.004	355-009-8-0310-I	7,128

**TOWN OF WAREHAM, MASSACHUSETTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Number</u>	<u>Expenditures</u>
<i>Passed Through Massachusetts Department of Early Education and Care</i>			
Special Education - Grants to States	84.027	262Wareham08	\$ 29,788
Special Education - Grants to States	84.027	262Wareham07	5,041
Total U.S. Department of Education			<u>2,078,220</u>
<hr/> <b>U.S. DEPARTMENT OF AGRICULTURE</b> <hr/>			
<i>Passed Through Massachusetts Department of Education:</i>			
National School Lunch Program (NSLP)	10.555	Unavailable	614,007
Food Donation	10.550	Unavailable	53,548
Total U.S. Department of Agriculture			<u>667,555</u>
<hr/> <b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b> <hr/>			
<i>Passed Through Small Cities Program:</i>			
Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii	14.228	5689	2,105
Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii	14.228	Unavailable	5,142
Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii	14.228	0039	386,913
Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii	14.228	0027	325,123
Total U.S. Department of Housing and Urban Development			<u>719,283</u>
<hr/> <b>U.S. DEPARTMENT OF THE INTERIOR</b> <hr/>			
Clean Vessel Act Grant Program	15.616	Unavailable	<u>4,440</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 3,469,498</u></b>

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

**TOWN OF WAREHAM, MASSACHUSETTS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2008**

**NOTE 1 - BASIS OF PRESENTATION**

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

**NOTE 2 - SUBRECIPIENTS**

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

**TOWN OF WAREHAM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**SECTION I - SUMMARY OF THE AUDIT RESULTS**

<i>Financial Statements</i>	<b><u>Yes</u></b>	<b><u>No</u></b>
Type of auditor's report issued:	Qualified	
Internal control over financial reporting:		
Material weakness(es) identified?		X
Significant deficiency(ies) identified that are not considered to be a material weakness?	X	
Noncompliance material to financial statements noted?		X
<i>Federal Awards</i>		
Internal control over major programs:		
Material weakness(es) identified?		X
Significant deficiency(ies) identified that are not considered to be a material weakness?		X
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?		X
Identification of major programs:		
CFDA		
<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
14.228	Community Development Block Grants/States program and Non-Entitlement Grants in Hawaii	
84.287	Twenty-first Century Community Learning Centers	
Dollar threshold used to distinguish between type A and type B programs:	\$300,000	
Auditee qualified as low-risk auditee?	X	

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**FINDING: 2008.1 Gun Permits**

<b><u>Criteria:</u></b>	Generally accepted accounting principles require that all revenue be reflected in the financial statements of the Town.
<b><u>Condition:</u></b>	During the audit, I noted that the police department collects gun permit fees and that they must forward the amount collected, net of a fee to Wareham, to the State on a quarterly basis. These transactions are accounted for in the agency fund 89. Upon review of the account it became apparent that the amount of Wareham's fee was not properly recorded as income to the Town but remained in the agency fund account and accumulated to an amount exceeding \$79,000. Annual fees ranged from \$5,000 to \$7,000.



**TOWN OF WAREHAM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**FINDING: 2008.1 Gun Permits - Continued**

Cause: There were no procedures established to notify the Town Accountant's office of the amount of fee to be recognized on a quarterly basis.

Effect: The general fund balance and related free cash has been understated by \$79,000 in total.

Recom-  
mendation: I recommend that the Police Department notify the Town Accountant's office of the amount of fees earned on a quarterly basis when the quarterly payments are made to the State. I further recommend that the Town Accountant monitor the appropriate gun permit account in the agency fund to be certain that each quarter the carrying balance in the account is closed to income within the general fund.

**FINDING: 2008.2 School Grant Accounting**

Criteria: Generally accepted accounting principles require that financial accounting records reflect the accurate revenue, expense, and related fund balance within all funds. This includes the accounting for special revenue grants.

Condition: 1 - During the audit, I noted that prior year's accumulated mis postings were corrected in the Town's general ledger. However, the reasons for the need to make such corrections of prior year and current year mis postings are several. Within the School Department, grants are actually accounted for using two separate but related accounting systems. Those responsible for actual grant administration and accounting use a variety of Excel spreadsheets to maintain record of all grant revenue and expenditures. Adjustments between grants are frequently required and reflected within the respective spreadsheets. However, information concerning grants is also maintained within the School's administrative office. I noted that corrections and adjustments reflected in the various spreadsheets was not always communicated to the School's administrative office resulting in different financial information at the two locations. The Town's accounting system is, likewise, different from the School administration. We noted several instances in which adjustments and corrections made in the School's administration were not reflected in the Town's general ledger thus resulting in a third different set of financial information for grants.

**TOWN OF WAREHAM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**FINDING: 2008.2 School Grant Accounting - Continued**

Cause: 1 - Failures in communication between those responsible for the three separate accounting systems has resulted in different financial information for various School grants.

Effect: 1 - The effect of these difficulties is that for several grants, expenditures that should be charged to school grants have been reflected as charges against the general fund within the Town's general ledger and thus have overstated general fund expenses and understated the general fund balance. The effect on the special revenue funds is opposite that of the general fund. Since the actual expenditure reports submitted to funding sources are prepared from the most detailed accounting records which are maintained by those most knowledgeable about the grants, I did not find any substantial errors in the actual expenditure or reporting of grant expenses. The effect is on the Town's general fund and on the difficulties in reconciling the three sets of accounting records.

Recommendation: 1 - I recommend those responsible for the actual grant accounting clearly and consistently communicate all expenditures and adjustments to the School Administration office and that such communication be likewise forwarded to the Town Accountant's office.

Condition: 2 - School grants are annual grants with a specific one year life and must be accounted for and reported to the funding source(s) individually. However, in the School Administration's office, grants which are continued from year to year are accounted for within the same fund as they are in the Town's general ledger. The actual grant accounting maintained by Excel spreadsheets treats each annual grant individually as it should. Because many of the School grants are on an August 31 year end, June 30 balances are a common and correct occurrence. However, because the School Administration and Town Accountant both use a single fund for grants that are continued from year to year the annual nature of the grant is lost. Errors in posting expenses and adjustments are extremely difficult to detect by a review of year end fund balances because the expenditures for one grant often overlap those of the succeeding grant thereby combining the two. Over a period of years, errors have accumulated and not been detected.

Cause: 2 - The cause in this case is most directly related to the use of a single fund balance accounting for multiple year grants which combines the transactions of separate individual grants into a single fund. Having three separate sets of accounting records as noted in Condition 1 above also contributes to this condition as does the lack of ongoing reconciliation of the three sets of accounting records.

**TOWN OF WAREHAM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**FINDING: 2008.2 School Grant Accounting - Continued**

**Effect:** 2 - The effect of having a single fund for multiple grants is essentially the inability to isolate the financial activity of a single grant within the School administration and Town side general ledger which may easily mask errors resulting in residual balances being carried in the Town side general ledger when in fact the grants are fully spent.

**Recommendation:** 2 - I recommend that the School Administration and the Town side general ledger implement an accounting system that establishes a separate fund account for each individual grant. In that way, it will be expected that each grant fund should result in a zero balance when the grant is closed by fully expending available resources or by return of unspent funds. This would also make the mis posting of revenue or expense extremely evident.

**FINDING: 2008.3 Planning Department Deposits**

**Criteria:** Generally accepted accounting principles require that financial accounting records reflect the accurate assets, liabilities, revenue, and expense for all aspects of Town operations. The Planning Department is to collect deposits from developers from which various professional fees are to be paid.

**Condition:** The Planning Department failed to collect deposits from developers on a consistent basis but paid professional fees related to developer projects. This resulted in a receivable balance due from the developer to offset the Town's payment of related expense. There was no follow up on the collection of amounts from developers, some of whom, subsequently went out of business resulting in uncollectible balances. Because of the failure to consistently collect deposits first and the failure to follow up on collection, the Town's records have accumulated a receivable balance from developers which has been masked because the receivables are effectively recorded in the same accounts as other deposits. Although the Town has performed a study of this situation, no conclusions have yet been made and no recognition of loss has been recorded in the general fund. I do not believe that the potential loss is significant to the overall financial statements of the Town.

**Cause:** The Planning Department has not required the receipt of developer deposits before the expenditure of related costs and has not followed up on collection of required deposits.

**Effect:** The Town has incurred a loss but has not yet determined the magnitude of the loss nor made any provision for recognizing the loss in the general fund.

**TOWN OF WAREHAM, MASSACHUSETTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

FINDING: 2008.3 Planning Department Deposits - Continued

Recom-

mendation: I recommend that the Town complete its work in this area and that efforts be made to collect receivable amounts from developers. Any identified loss should be recognized in the general fund. Further, the Planning Department must insist on collection of deposits prior to expending funds for related projects.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**TOWN OF WAREHAM, MASSACHUSETTS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2008**

<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
<b>2007.1</b>	<u>Finding:</u>	Changes in the manner of posting cash receipts in 2007 resulted in the mis posting of several cash receipts to incorrect funds. The 2007 audit identified a total of \$122,436 that was incorrectly posted in the Town's general ledger and which increased the general fund balance.
	<u>Questioned Costs:</u>	None
	<u>Status:</u>	<b>Resolved:</b> The Town Accountant has posted appropriate entries in the general ledger to correct the noted mis postings.