

TOWN OF WARWICK, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2012

| |
|---|
| TOWN OF WARWICK, MASSACHUSETTS TABLE OF CONTENTS |
|---|

| | <u>Page</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1-2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3-9 |
| BASIC FINANCIAL STATEMENTS: | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets | 10 |
| Statement of Activities | 11 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 12 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 13 |
| Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets | 14 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 15 |
| Statement of Revenues and Expenditures - Budgetary Basis - (Non-GAAP)- Budget and Actual - General Fund | 16 |
| Reconciliation of Revenues and Expenditures from Budgetary Basis to GAAP Basis | 17 |
| Statement of Net Assets - Proprietary Funds | 18 |
| Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds | 19 |
| Statement of Cash Flows - Proprietary Funds | 20 |
| Notes to the Financial Statements | 21-37 |

SUPPLEMENTARY SCHEDULES

Governmental Funds by Fund Type:

| | |
|---|-------|
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds | 38-39 |
|---|-------|

Receivable Schedules:

| | |
|---|----|
| Schedule of Real Estate and Personal Property Taxes | 40 |
| Schedule of Motor Vehicle Excise Taxes | 41 |
| Schedule of Tax Liens | 42 |

Independent Auditor's Report

To the Honorable Selectboard
Town of Warwick, Massachusetts

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

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

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, appearing on pages 3 through 9, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Warwick, Massachusetts' financial statements as a whole. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Scanlon Associates LLC
Scanlon & Associates, LLC
South Deerfield, Massachusetts

January 7, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Warwick, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012.

Financial Highlights

- The Town's assets exceeded its liabilities by \$3,278,653 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$2,941,279 or an increase of \$337,374 (11%) over last fiscal year's total net assets.
- The Town's governmental funds reported total ending fund balance of \$741,000 this year. This compares to the prior year ending fund balance of \$717,452 showing an increase of \$23,548 (3%) during the current year.
- The General Fund's total fund balance increased \$3,745 (.97%) to \$390,795. The ending General fund balance is 23% of revenues and other sources and 23% of expenditures and other uses.
- Total liabilities of the Town are \$308,305.

Overview of the Financial Statements

This discussion and analysis is intended to serve, as an introduction to the Town of Warwick'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 themselves.

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

The *statement of net assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activities include the broadband and transfer station activities.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of*

spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

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

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

Proprietary funds. The Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its broadband and transfer station activities.

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.

Financial Highlights
Statement of Net Assets Highlights

| | Governmental Activities |
|--------------------------------------|------------------------------------|
| Assets: | |
| Current assets | \$ 1,007,136 |
| Capital assets | 2,486,586 |
| Total assets | 3,493,722 |
| Liabilities: | |
| Current liabilities (excluding debt) | 47,371 |
| Current debt | 233,800 |
| Noncurrent debt | 23,794 |
| Total liabilities | 304,965 |
| Net Assets: | |
| Capital assets net of related debt | 2,229,192 |
| Restricted | 455,525 |
| Unrestricted | 504,240 |
| Total net assets | \$ 3,188,957 |

Financial Highlights
Statement of Net Assets Highlights

| | Business-type Activities |
|------------------------------------|-------------------------------------|
| Assets: | |
| Current assets | \$ 28,055 |
| Capital assets | 64,981 |
| Total assets | 93,036 |
| Liabilities: | |
| Current liabilities | 3,340 |
| Total liabilities | 3,340 |
| Net Assets: | |
| Capital assets net of related debt | 64,981 |
| Unrestricted | 24,715 |
| Total net assets | \$ 89,696 |

Statement of Activities Highlights

| | Governmental Activities |
|--|------------------------------------|
| Program Revenues: | |
| Charges for services | \$ 39,621 |
| Operating grants and contributions | 543,359 |
| Capital grants and contributions | 229,667 |
| General Revenues: | |
| Property taxes | 1,345,175 |
| Motor vehicle excise taxes | 76,186 |
| Penalties and interest on taxes | 8,929 |
| Nonrestricted grants | 227,192 |
| Unrestricted investment income | 1,457 |
| Miscellaneous | 105 |
| Total revenues | 2,471,691 |
| Expenses: | |
| General government | 616,611 |
| Public safety | 123,141 |
| Public works | 406,391 |
| Education | 841,498 |
| Health and human services | 17,262 |
| Culture and recreation | 44,401 |
| Employee benefits and insurance | 138,615 |
| State assessments | 825 |
| Interest | 4,901 |
| Total expenses | 2,193,645 |
| Contributions to permanent funds | 702 |
| Transfers to business-type activities | (14,611) |
| Change in net assets | 264,137 |
| Net assets - beginning of year | 2,924,820 |
| Net assets - end of year | \$ 3,188,957 |

Statement of Activities Highlights

| | Business-type Activities |
|---|-------------------------------------|
| Program Revenues: | |
| Charges for services | \$ 108,702 |
| Operating grants and contributions | 118 |
| Capital grants and contributions | 44,827 |
| Total revenues | 153,647 |
| | |
| Expenses: | |
| Broadband | 56,704 |
| Transfer station | 38,317 |
| Total expenses | 95,021 |
| | |
| Transfers to governmental activities | 14,611 |
| | |
| Change in net assets | 73,237 |
| | |
| Net assets - beginning of year | 16,459 |
| | |
| Net assets - end of year | \$ 89,696 |

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$3,278,653 at the close of the year.

Net assets of \$2,294,173 (70%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$455,525 (14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$528,955 (16%) 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 governmental activities net assets increased by \$264,137 (11%) during the current fiscal year, which reflects the general fund's results of operation. This was mainly attributed to revenues exceeding expenditures by \$278,082, contributions to permanent funds of \$702 and transfers out to the business-type activities of \$14,611.

There was an increase of \$73,237 in net assets reported in the business-type activities. Of this, there was an increase of \$66,864 attributed to the broadband fund and an increase of \$6,373 attributed to the transfer station fund.

Financial Analysis of the Government's Funds

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

Governmental funds

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$741,000 an increase of \$23,548 (3%) in comparison with the prior year. The increase is attributed to revenues exceeding expenditures of \$38,159 and transfers out to the business-type activities of \$14,611.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance- \$141,412 (19%).
- Restricted fund balance- \$165,928 (22%).
- Assigned fund balance - \$175,164 (24%).
- Unassigned fund balance - \$258,496 (35%).

At the end of the fiscal year, the General Fund reported a total fund balance of \$390,795 increasing \$3,745 (.97%) from the prior year. Of the \$390,795 the unassigned amount is \$258,496 and the assigned amount is \$132,299.

Proprietary funds. The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

The *Broadband Fund* is the financing and operations of the broadband system. The fund shows an increase of \$66,864 (660%) attributed to operating revenues exceeding operating costs by \$22,284, investment income of \$83, interest expense of \$330 and intergovernmental revenue of \$44,827.

The *Transfer Station Fund* is the financing and operations of the Town's transfer station. The fund shows an increase of \$6,373 (101%) attributed to operating costs exceeding operating revenues by \$8,273, interest income of \$35 and transfers from the general fund of \$14,611.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2012 was \$1,809,936.

There was an increase of \$1,500 between the original budget and the final amended budget. The change is attributed to the Town amending the fire department gasoline account.

Of the \$137,801 in under budget expenditures \$55,227 has been carried over to fiscal year 2013.

There were negative variances in interest on taxes and investment income of \$4,321 and \$802, respectively. The variances were the result of falling interest rates and less of collections.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$2,486,786 and \$64,981, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Town hall improvements for \$5,320.
- Highway garage roof for \$10,433.
- Police vehicle for \$42,046.
- Road and street improvements for \$120,200.

The major capital event during the current fiscal year in the broadband business-type activity fund included the following:

- Infrastructure improvements for \$73,309.

Debt Administration. The Town's outstanding governmental long-term debt, as of June 30, 2012, totaled \$257,594, of which \$77,594 is for highway trucks and \$180,00 is for the sprinkler slystem at the community school.

Please refer to notes 3C and 3E for further discussion of the major capital and debt activity.

Town Meeting – Fiscal Year 2013

The Town of Warwick operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2012 do not reflect the fiscal year 2013 Town Meeting action. The Annual Town Meeting on May 7, 2012 authorized a fiscal year 2013 operating and capital budget as follows:

| | |
|---|---------------------|
| From the tax levy | \$ 1,668,002 |
| From solid waste receipts | 34,200 |
| From solid waste retained earnings | 6,321 |
| From broadband reciepts | 87,700 |
| From other available funds: | |
| Unassigned fund balance - (Free cash) | 60,317 |
| Unassigned fund balance - (Overlay surplus) | 16,755 |
| CDBG program | 42,865 |
| | <u>\$ 1,916,160</u> |

Requests for Information

This financial report is designed to provide a general overview of the Town of Warwick'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, Warwick, Massachusetts.

BASIC FINANCIAL STATEMENTS

**TOWN OF WARWICK, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2012**

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and Cash Equivalents | \$ 501,956 | \$ 13,642 | \$ 515,598 |
| Investments | 253,445 | - | 253,445 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property Taxes | 15,103 | - | 15,103 |
| Tax Liens | 60,856 | - | 60,856 |
| Excise Taxes | 981 | - | 981 |
| User Charges | - | 5,099 | 5,099 |
| Due from Other Governments | 174,795 | 9,314 | 184,109 |
| Total current assets | <u>1,007,136</u> | <u>28,055</u> | <u>1,035,191</u> |
| NONCURRENT: | | | |
| Capital Assets, net of accumulated Depreciation: | | | |
| Non-depreciable | 159,200 | - | 159,200 |
| Depreciable | 2,327,586 | 64,981 | 2,392,567 |
| Total noncurrent assets | <u>2,486,786</u> | <u>64,981</u> | <u>2,551,767</u> |
| Total Assets | <u><u>3,493,922</u></u> | <u><u>93,036</u></u> | <u><u>3,586,958</u></u> |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants Payable | 16,832 | 2,479 | 19,311 |
| Accrued Payroll | 13,589 | 861 | 14,450 |
| Payroll Withholdings | 804 | - | 804 |
| Tax Refund Payable | 8,100 | - | 8,100 |
| Taxes Collected in Advance | 4,986 | - | 4,986 |
| Accrued Interest | 3,060 | - | 3,060 |
| Notes Payable | 233,800 | - | 233,800 |
| Total current liabilities | <u>281,171</u> | <u>3,340</u> | <u>284,511</u> |
| NONCURRENT: | | | |
| Notes Payable | 23,794 | - | 23,794 |
| Total noncurrent liabilities | <u>23,794</u> | <u>-</u> | <u>23,794</u> |
| Total Liabilities | <u><u>304,965</u></u> | <u><u>3,340</u></u> | <u><u>308,305</u></u> |
| NET ASSETS: | | | |
| Invested in Capital Assets, net of related debt | 2,229,192 | 64,981 | 2,294,173 |
| Restricted for: | | | |
| Federal & State Grants | 163,857 | - | 163,857 |
| Permanent Funds: | | | |
| Expendable | 61,696 | - | 61,696 |
| Nonexpendable | 141,412 | - | 141,412 |
| Other Purposes | 88,560 | - | 88,560 |
| Unrestricted | 504,240 | 24,715 | 528,955 |
| Total Net Assets | <u><u>\$ 3,188,957</u></u> | <u><u>\$ 89,696</u></u> | <u><u>\$ 3,278,653</u></u> |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WARWICK, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

| | Program Revenues | | |
|--------------------------------------|-------------------------|--|--|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | |
| General Government | \$ 616,611 | \$ 477,697 | - |
| Public Safety | 123,141 | 19,440 | - |
| Public Works | 406,391 | 31,607 | 229,667 |
| Education | 841,498 | - | - |
| Health and Human Services | 17,262 | 5,623 | - |
| Culture and Recreation | 44,401 | 8,992 | - |
| Employee Benefits and Insurance | 138,615 | - | - |
| State Assessments | 825 | - | - |
| Interest | 4,901 | - | - |
| Total Governmental Activities | 2,193,645 | 543,359 | 229,667 |
| Business-Type Activities: | | | |
| Broadband | 56,704 | 78,658 | 83 |
| Transfer Station | 38,317 | 30,044 | 35 |
| Total Primary Government | \$ 2,288,666 | \$ 148,323 | \$ 274,494 |

| | | | |
|--|--|--|--|
| General Revenues: | | | |
| Property taxes | | | |
| Motor vehicle excise taxes | | | |
| Penalties & Interest on taxes | | | |
| Grants & Contributions not restricted to specific programs | | | |
| Unrestricted investment income | | | |
| Miscellaneous | | | |
| Contributions to permanent funds | | | |
| Transfers, net | | | |
| Total General Revenues, Contributions and Transfers | | | |
| Change in Net Assets | | | |
| Net Assets: | | | |
| Beginning of year | | | |
| End of year | | | |

| | Net (Expenses) Revenues and Changes in Net Assets | | |
|----|---|-----------------------------|--------------------|
| | Governmental Activities | Business-Type Activities | Total |
| \$ | (130,185) | - | (130,185) |
| | (77,279) | - | (77,279) |
| | (144,641) | - | (144,641) |
| | (841,498) | - | (841,498) |
| | (9,134) | - | (9,134) |
| | (33,920) | - | (33,920) |
| | (138,615) | - | (138,615) |
| | (825) | - | (825) |
| | (4,901) | - | (4,901) |
| | (1,380,998) | - | (1,380,998) |

| | | | |
|--|--------------------|------------------|-----------------------|
| | - | 66,864 | 66,864 |
| | - | (8,238) | (8,238) |
| | (1,380,998) | \$ 58,626 | \$ (1,322,372) |
| | 1,345,175 | - | 1,345,175 |
| | 76,186 | - | 76,186 |
| | 8,929 | - | 8,929 |
| | 227,192 | - | 227,192 |
| | 1,457 | - | 1,457 |
| | 105 | - | 105 |
| | 702 | - | 702 |
| | (14,611) | 14,611 | - |
| | 1,645,135 | 14,611 | 1,659,746 |

| | | | |
|-----------|------------------|------------------|---------------------|
| | 264,137 | 73,237 | 337,374 |
| | 2,924,820 | 16,459 | 2,941,279 |
| \$ | 3,188,957 | \$ 89,696 | \$ 3,278,653 |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WARWICK MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------|-----------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 383,608 | \$ 118,348 | \$ 501,956 |
| Investments | 46,334 | 207,111 | 253,445 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property Taxes | 15,103 | - | 15,103 |
| Tax Liens | 60,856 | - | 60,856 |
| Excise Taxes | 981 | - | 981 |
| Due from Other Governments | - | 174,795 | 174,795 |
| Total Assets | \$ 506,882 | \$ 500,254 | \$ 1,007,136 |
| LIABILITIES AND FUND BALANCE: | | | |
| Liabilities: | | | |
| Warrants Payable | \$ 16,363 | \$ 469 | \$ 16,832 |
| Accrued Payroll | 12,194 | 1,395 | 13,589 |
| Payroll Withholdings | 804 | - | 804 |
| Tax Refund Payable | 8,100 | - | 8,100 |
| Taxes Collected in Advance | 4,986 | - | 4,986 |
| Deferred Revenue: | | | |
| Property Taxes | 11,803 | - | 11,803 |
| Other | 61,837 | 148,185 | 210,022 |
| Total Liabilities | 116,087 | 150,049 | 266,136 |
| Fund Balance: | | | |
| Nonspendable | - | 141,412 | 141,412 |
| Restricted | - | 165,928 | 165,928 |
| Assigned | 132,299 | 42,865 | 175,164 |
| Unassigned | 258,496 | - | 258,496 |
| Total Fund Balance | 390,795 | 350,205 | 741,000 |
| Total Liabilities and Fund Balance | \$ 506,882 | \$ 500,254 | \$ 1,007,136 |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WARWICK, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------|-----------------------------------|--------------------------------|
| Revenues: | | | |
| Property Taxes | \$ 1,332,722 | \$ - | \$ 1,332,722 |
| Intergovernmental | 258,849 | 623,393 | 882,242 |
| Excise and Other Taxes | 76,659 | - | 76,659 |
| Licenses, Permits, Fees | 11,105 | - | 11,105 |
| Charges for Services | - | 29,695 | 29,695 |
| Interest on Taxes | 8,929 | - | 8,929 |
| Investment Income | 1,457 | 1,504 | 2,961 |
| Gifts and Donations | - | 6,633 | 6,633 |
| Total Revenues | 1,689,721 | 661,225 | 2,350,946 |
| Expenditures: | | | |
| Current: | | | |
| General Government | 156,489 | 455,428 | 611,917 |
| Public Safety | 116,957 | 44,025 | 160,982 |
| Public Works | 331,659 | 121,057 | 452,716 |
| Education | 833,118 | - | 833,118 |
| Health and Human Services | 6,864 | 10,398 | 17,262 |
| Culture and Recreation | 27,304 | 9,744 | 37,048 |
| Employee Benefits and Insurance | 138,615 | - | 138,615 |
| State Assessments | 825 | - | 825 |
| Debt Service: | | | |
| Principal | 53,800 | - | 53,800 |
| Interest | 6,504 | - | 6,504 |
| Total Expenditures | 1,672,135 | 640,652 | 2,312,787 |
| Excess of Revenues Over (Under) Expenditures | 17,586 | 20,573 | 38,159 |
| Other Financing Sources (Uses): | | | |
| Operating Transfers In | 770 | - | 770 |
| Operating Transfers Out | (14,611) | (770) | (15,381) |
| Total Other Financing Sources (Uses) | (13,841) | (770) | (14,611) |
| Net Change in Fund Balances | 3,745 | 19,803 | 23,548 |
| Fund Balances, Beginning of Year | 387,050 | 330,402 | 717,452 |
| Fund Balances, End of Year | \$ 390,795 | \$ 350,205 | \$ 741,000 |

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF WARWICK MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Assets
For the Year Ended June 30, 2012

| | | |
|---|-----------|-------------------------|
| Total Governmental Fund Balances | \$ | 741,000 |
| Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds. | | 2,486,786 |
| Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis. | | 221,825 |
| Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds: Notes Payable | | (257,594) |
| In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due. | | (3,060) |
| Net Assets of Governmental Activities | \$ | <u>3,188,957</u> |

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF WARWICK MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2012

| | | |
|--|------------------|-----------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 23,548 |
| <p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:</p> | | |
| Capital Outlay Purchases | \$ 177,999 | |
| Depreciation | <u>(114,260)</u> | 63,739 |
| <p>Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.</p> | | |
| | | 121,447 |
| <p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets</p> | | |
| Repayment of Debt Principal | | 53,800 |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p> | | |
| Net Change in Accrued Interest on Long-Term Debt | | <u>1,603</u> |
| Change in Net Assets of Governmental Activities | \$ | <u>264,137</u> |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WARWICK MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGETARY BASIS - (NON-GAAP) -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

| | Budgeted Amounts | | Actual | Amounts | Variance with |
|---|-------------------|-------------------|-------------------|------------------------------|----------------------------------|
| | Original Budget | Final Budget | Budgetary Basis | Carried Forward to Next Year | Final Budget Positive (Negative) |
| Revenues: | | | | | |
| Property Taxes | \$ 1,323,911 | \$ 1,328,022 | \$ 1,352,222 | \$ - | \$ 24,200 |
| Intergovernmental | 219,764 | 219,764 | 258,849 | - | 39,085 |
| Excise and Other Taxes | 75,500 | 75,500 | 76,659 | - | 1,159 |
| Licenses, Permits, Fees | 9,250 | 9,250 | 11,105 | - | 1,855 |
| Interest on Taxes | 13,250 | 13,250 | 8,929 | - | (4,321) |
| Investment Income | 2,000 | 2,000 | 1,198 | - | (802) |
| Total Revenues | 1,643,675 | 1,647,786 | 1,708,962 | - | 61,176 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General Government | 221,730 | 210,045 | 156,489 | 31,210 | 22,346 |
| Public Safety | 115,530 | 121,030 | 116,957 | 2,372 | 1,701 |
| Public Works | 376,197 | 376,197 | 331,659 | 900 | 43,638 |
| Education | 849,952 | 849,952 | 833,118 | 16,137 | 697 |
| Health and Human Services | 14,749 | 14,749 | 6,864 | 4,453 | 3,432 |
| Culture and Recreation | 28,290 | 28,290 | 27,304 | - | 986 |
| Employee Benefits and Insurance | 136,054 | 143,739 | 138,615 | 155 | 4,969 |
| State Assessments | 1,285 | 1,285 | 825 | - | 460 |
| Debt Service: | | | | | |
| Principal | 53,800 | 53,800 | 53,800 | - | - |
| Interest | 10,849 | 10,849 | 6,504 | - | 4,345 |
| Total Expenditures | 1,808,436 | 1,809,936 | 1,672,135 | 55,227 | 82,574 |
| Excess of Revenues Over (Under) Expenditures | (164,761) | (162,150) | 36,827 | (55,227) | 143,750 |
| Other Financing Sources (Uses): | | | | | |
| Operating Transfers In (Out) | (52,000) | (54,611) | (53,841) | - | 770 |
| Total Other Financing Sources (Uses) | (52,000) | (54,611) | (53,841) | - | 770 |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | (216,761) | (216,761) | (17,014) | (55,227) | 144,520 |
| Budgetary Fund Balance - Beginning of Year | 320,185 | 320,185 | 320,185 | - | - |
| Budgetary Fund Balance - End of Year | \$ 103,424 | \$ 103,424 | \$ 303,171 | \$ (55,227) | \$ 144,520 |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WARWICK MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2012**

| | Revenues | Expenditures |
|---|-----------------|---------------------|
| Reported on a Budgetary Basis | \$ 1,708,962 | \$ 1,672,135 |
| <u>Adjustments:</u> | | |
| Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes | 259 | - |
| Net Decrease in Revenue from recording Refund Taxes Payable | (300) | - |
| Net Decrease in Revenue from Recording 60-Day Receipts | (19,200) | - |
| Reported on a GAAP Basis | \$ 1,689,721 | \$ 1,672,135 |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WARWICK MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2012**

| | Business-Type Activities Enterprise Funds | | |
|--|--|-----------------------------|-------------------------|
| | Broadband Fund | Transfer Station Fund | Total |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and Cash Equivalents | \$ (1,183) | \$ 14,825 | \$ 13,642 |
| User Charges, net of allowance for uncollectibles | 5,099 | - | 5,099 |
| Due from Other Governments | 9,314 | - | 9,314 |
| Total current assets | <u>13,230</u> | <u>14,825</u> | <u>28,055</u> |
| NONCURRENT: | | | |
| Capital Assets, net of accumulated Depreciation Depreciable | 64,981 | - | 64,981 |
| Total noncurrent assets | <u>64,981</u> | <u>-</u> | <u>64,981</u> |
| Total Assets | <u><u>78,211</u></u> | <u><u>14,825</u></u> | <u><u>93,036</u></u> |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants Payable | 600 | 1,879 | 2,479 |
| Accrued Payroll | 609 | 252 | 861 |
| Total current liabilities | <u>1,209</u> | <u>2,131</u> | <u>3,340</u> |
| Total Liabilities | <u><u>1,209</u></u> | <u><u>2,131</u></u> | <u><u>3,340</u></u> |
| NET ASSETS: | | | |
| Invested in Capital Assets, net of related debt | 64,981 | - | 64,981 |
| Unrestricted | 12,021 | 12,694 | 24,715 |
| Total Net Assets | <u><u>\$ 77,002</u></u> | <u><u>\$ 12,694</u></u> | <u><u>\$ 89,696</u></u> |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WARWICK MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2012**

| | Business-Type Activities Enterprise Funds | | |
|---|--|-----------------------------|------------------|
| | Broadband Fund | Transfer Station Fund | Total |
| Operating Revenues: | | | |
| Charges for Services | \$ 78,658 | \$ 24,508 | \$ 103,166 |
| Other | - | 5,536 | 5,536 |
| Total Operating Revenues | 78,658 | 30,044 | 108,702 |
| Operating Expenses: | | | |
| Salaries & Wages | 5,256 | 5,709 | 10,965 |
| Operating Expenses | 31,244 | 32,608 | 63,852 |
| Depreciation | 19,874 | - | 19,874 |
| Total Operating Expenses | 56,374 | 38,317 | 94,691 |
| Operating Income (Loss) | 22,284 | (8,273) | 14,011 |
| Non-Operating Revenues (Expenses): | | | |
| Investment Income | 83 | 35 | 118 |
| Intergovernmental | 44,827 | - | 44,827 |
| Interest Expense | (330) | - | (330) |
| Total Non-Operating Revenues (Expenses) | 44,580 | 35 | 44,615 |
| Income (Loss) Before Operating Transfers | 66,864 | (8,238) | 58,626 |
| Operating Transfers: | | | |
| Transfer In (Out) | - | 14,611 | 14,611 |
| Total Operating Transfers | - | 14,611 | 14,611 |
| Change in Net Assets | 66,864 | 6,373 | 73,237 |
| Net Assets at Beginning of Year | 10,138 | 6,321 | 16,459 |
| Net Assets at End of Year | \$ 77,002 | \$ 12,694 | \$ 89,696 |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WARWICK MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

| | Business-Type Activities Enterprise Funds | | |
|---|--|-----------------------------|------------------|
| | Broadband Fund | Transfer Station Fund | Total |
| Cash Flows From Operating Activities: | | | |
| Receipts from Customers and Users | \$ 75,709 | \$ 24,508 | \$ 100,217 |
| Receipts from Other Revenues | - | 5,536 | 5,536 |
| Payments to Vendors | (31,489) | (31,266) | (62,755) |
| Payments to Employees | (4,910) | (5,590) | (10,500) |
| Net Cash Provided by (Used for) Operating Activities | 39,310 | (6,812) | 32,498 |
| Cash Flows from Noncapital Financing Activities: | | | |
| Transfers from (to) Other Funds | - | 14,611 | 14,611 |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | - | 14,611 | 14,611 |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Intergovernmental | 35,513 | - | 35,513 |
| Acquisition and Construction of Capital Assets | (73,309) | - | (73,309) |
| Principal Payments on Bonds and Notes | (30,000) | - | (30,000) |
| Interest Expense | (330) | - | (330) |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | (68,126) | - | (68,126) |
| Cash Flows from Investing Activities: | | | |
| Investment Income | 83 | 35 | 118 |
| Net Cash Provided by (Used for) Investing Activities | 83 | 35 | 118 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (28,733) | 7,834 | (20,899) |
| Cash and Cash Equivalents at Beginning of Year | 27,550 | 6,991 | 34,541 |
| Cash and Cash Equivalents at End of Year | \$ (1,183) | \$ 14,825 | \$ 13,642 |

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:

| | | | |
|--|------------------|-------------------|------------------|
| Operating Income (Loss) | \$ 22,284 | \$ (8,273) | \$ 14,011 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Depreciation | 19,874 | - | 19,874 |
| Change in Assets and Liabilities: | | | |
| Increase (Decrease) in Warrants Payable | (245) | 1,342 | 1,097 |
| Increase (Decrease) in Accrued Payroll | 346 | 119 | 465 |
| Decrease (Increase) in User Charges | (2,949) | - | (2,949) |
| Total Adjustments | 17,026 | 1,461 | 18,487 |
| Net Cash Provided by (Used for) Operating Activities | \$ 39,310 | \$ (6,812) | \$ 32,498 |

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF WARWICK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Warwick, Massachusetts (the Town) was incorporated in 1763 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected three member Selectboard.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2012, it was determined that no entities met the required GASB-14 and GASB-39 criteria for component units.

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

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements (e.g., statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net assets and change in net assets.

Major Fund Criteria

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

**TOWN OF WARWICK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Under the modified accrual basis of accounting revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The Town reports the following major governmental fund:

The *general fund* is the government'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 Town reports the following major proprietary funds:

The *broadband fund* is used to account for operations providing high speed internet access to Town facilities and Town residents.

TOWN OF WARWICK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

The *transfer station fund* is used to account for the activity of the transfer station operations.

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

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash.

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. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

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

Investment income from proprietary funds is maintained in those funds.

TOWN OF WARWICK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments to the Town. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

All investments are carried at fair value.

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes and Tax Liens

Property taxes are based on assessments as of January 1, 2011 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The first tax payment is due November 1st, or thirty days after the date tax bills were mailed, whichever is later and must be at least one-half of the tax and any betterments. The balance of the tax is owed by May 1st of the following year. If payments are not made by the due dates, interest at the rate of 14% will be charged on the amount of the payment that is unpaid and overdue. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town of Warwick mailed actual tax bills for fiscal year 2012 on December 29, 2011 that were due on April 2, 2012.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2012 is \$1,444,882 consisting of a base of \$1,386,212 and a debt exclusion of \$58,670. The total amount raised by taxation was \$1,338,909.

The allowance for uncollectible accounts is based on historical trends and specific account analysis.

Excise Taxes

Excise taxes consist of motor vehicle excise. Excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles.

The tax calculation is the fair value of the vehicle multiplied by the \$25 per \$1,000 of value.

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

User Charges

User charges consist of charges broadband services.

TOWN OF WARWICK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

This receivable is considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Due from Other Governments

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

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

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year. Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

| Capital Asset Type | Years |
|--------------------------------|--------------|
| Buildings and renovations | 20-40 |
| Machinery, equipment and other | 3-10 |
| Infrastructure | 20-50 |

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

H. Interfund Transfers

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

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net".

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

I. Deferred Revenue

Deferred revenue at the 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 WARWICK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

J. Net Assets and Fund Balances

In the Government-Wide financial statements, the difference between the Town's total assets and total liabilities represents net assets. Net assets displays three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net assets represent the net assets available for future operations.

Net assets have been "restricted for" the following:

"Federal and state grants" represents amounts restricted by the federal and state government for various programs.

"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other purposes" represents restrictions placed on assets from outside parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

**TOWN OF WARWICK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

K. Long-term Debt

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets.

The face amount of governmental funds long-term debt is reported as other financing sources.

L. Post Retirement Benefits

The Town currently does not provide group insurance for retired employees or their survivors. Thus the Town does not provide any cost of the health insurance plan.

M. Use of Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

Estimates are submitted by departments in accordance with the Massachusetts General Laws.

The budget is legally enacted by vote at the annual Town meeting.

Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.

Throughout the year appropriations may be transferred between departments with Town meeting approval.

Massachusetts law requires cities and towns to provide for a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . ."

For fiscal year 2012, the Town incurred a final budget deficit of \$216,761 for the General Fund.

**TOWN OF WARWICK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

The Town voted from the following sources to fund the deficit budget during the fiscal year:

| | | | |
|--------------------------------------|----|---------|------------|
| Unreserved fund balance: | | | |
| Free cash votes | \$ | 117,028 | |
| Overlay surplus | | 2,025 | \$ 119,053 |
| WCS debt retirement | | | 68,352 |
| Prior years reserved for encumbrance | | | 29,356 |
| | | | \$ 216,761 |

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2012 were \$544,727. Of these, none were exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and notes proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2012, the Town had the following investments and maturities:

| Investment Type | Fair Value | Investment Maturities (In Years) | | |
|---------------------------|---------------|-------------------------------------|------------|---------|
| | | Less Than 1 | 1 to 5 | 6 to 10 |
| Debt Securities: | | | | |
| U. S. government agencies | \$ 97,741 | \$ 1,092 | \$ 95,816 | \$ 833 |
| Corporate bonds | 16,087 | - | 16,087 | - |
| Money market funds | 69,193 | 69,193 | - | - |
| | 183,021 | \$ 70,285 | \$ 111,903 | \$ 833 |
| Other Investments: | | | | |
| Certificate of deposit | 70,424 | | | |
| | \$ 253,445 | | | |

**TOWN OF WARWICK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

Custodial Credit Risks

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$253,445 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

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

Credit Risk

The Town's exposure to credit risk as of June 30, 2012 is as follows:

| Related Debt Instruments | Fair Value | Moody's Quality Ratings | | |
|---------------------------|-------------------|-------------------------|------------------|------------------|
| | | Aaa | A1 | Not Rated |
| Debt Securities: | | | | |
| U. S. government agencies | 97,741 | \$ 97,741 | \$ - | \$ - |
| Corporate bonds | 16,087 | - | 16,087 | - |
| Money market mutual fund | 69,193 | - | - | 69,193 |
| | <u>\$ 183,021</u> | <u>\$ 97,741</u> | <u>\$ 16,087</u> | <u>\$ 69,193</u> |

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are in Government National Mortgage Association and a corporate bond amounting to 34.07% and 6.35%, respectively, of the Town's total investments.

B. Receivables

At June 30, 2012, receivables for the individual major governmental funds, non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| Major and nonmajor governmental funds: | Gross Amount | Allowance for Uncollectibles | Net Amount |
|--|-------------------|------------------------------|-------------------|
| | | | |
| Tax liens | 60,856 | - | 60,856 |
| Excise taxes | 1,981 | (1,000) | 981 |
| Due from other governments | 174,795 | - | 174,795 |
| | <u>\$ 252,735</u> | <u>\$ (1,000)</u> | <u>\$ 251,735</u> |

**TOWN OF WARWICK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

At June 30, 2012, receivables for the business-type activities consist of the following:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|----------------------------|-----------------|------------------------------------|---------------|
| Broadband Fund: | | | |
| Broadband fees | \$ 5,099 | \$ - | \$ 5,099 |
| Due from other governments | 9,314 | - | 9,314 |
| | \$ 14,413 | \$ - | \$ 14,413 |

The composition of amounts due from other governments as of June 30, 2012 for governmental funds is as follows:

| | | |
|--|----|------------|
| Governmental Funds: | | |
| Nonmajor Governmental Funds: | | |
| <i>Commonwealth of Massachusetts:</i> | | |
| Massachusetts Emergency Management Agency: | | |
| EMPG grant | \$ | 1,750 |
| Massachusetts Highway Department: | | |
| Chapter 90 funded projects | | 173,045 |
| | | \$ 174,795 |

The composition of amounts due from other governments as of June 30, 2012 for business-type funds is as follows:

| | | |
|--|----|-------|
| Business-type Funds: | | |
| Broadband Fund | | |
| <i>Massachusetts Technology Collaborative:</i> | | |
| Massachusetts broadband institute grant | \$ | 9,314 |

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.

The balance of the general fund deferred revenues account is equal to all of June 30, 2012 receivable balances, except real estate and personal property taxes that are accrued for subsequent 60 day collections.

At the end of the current fiscal year, the deferred revenue for property taxes is \$11,803.

The various components of the other deferred revenue reported in the governmental funds are as follows:

| | | |
|-------------------------------------|-----------|------------|
| General Fund: | | |
| Tax liens | \$ 60,856 | |
| Excise taxes | 981 | \$ 61,837 |
| Nonmajor Governmental Funds: | | |
| Due from other governments | | 148,185 |
| | | \$ 210,022 |

**TOWN OF WARWICK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

C. Capital Assets

Governmental Activities

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 159,200 | \$ - | \$ - | \$ 159,200 |
| Total capital assets not being depreciated | <u>159,200</u> | <u>-</u> | <u>-</u> | <u>159,200</u> |
| Capital assets being depreciated: | | | | |
| Buildings and Renovations | 2,275,980 | 15,753 | - | 2,291,733 |
| Machinery, equipment and other | 577,680 | 42,046 | - | 619,726 |
| Infrastructure | 2,146,426 | 120,200 | - | 2,266,626 |
| Total capital assets being depreciated | <u>5,000,086</u> | <u>177,999</u> | <u>-</u> | <u>5,178,085</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and Renovations | 1,947,768 | 25,004 | - | 1,972,772 |
| Machinery, equipment and other | 423,534 | 26,593 | - | 450,127 |
| Infrastructure | 364,938 | 62,662 | - | 427,600 |
| Total accumulated depreciation | <u>2,736,240</u> | <u>114,259</u> | <u>-</u> | <u>2,850,499</u> |
| Total capital assets being depreciated, net | <u>2,263,846</u> | <u>63,740</u> | <u>-</u> | <u>2,327,586</u> |
| Total governmental activities capital assets, net | <u>\$ 2,423,046</u> | <u>\$ 63,740</u> | <u>\$ -</u> | <u>\$ 2,486,786</u> |

**Business-Type Activities:
Broadband Fund**

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets being depreciated: | | | | |
| Infrastructure | \$ 36,673 | \$ 73,309 | \$ - | \$ 109,982 |
| Total capital assets being depreciated | <u>36,673</u> | <u>73,309</u> | <u>-</u> | <u>109,982</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | 25,127 | 19,874 | - | 45,001 |
| Total accumulated depreciation | <u>25,127</u> | <u>19,874</u> | <u>-</u> | <u>45,001</u> |
| Total capital assets being depreciated, net | <u>11,546</u> | <u>53,435</u> | <u>-</u> | <u>64,981</u> |
| Total business-type activities capital assets, net | <u>\$ 11,546</u> | <u>\$ 53,435</u> | <u>\$ -</u> | <u>\$ 64,981</u> |

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

**TOWN OF WARWICK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

Governmental Activities:

| | |
|--|-------------------|
| General government | \$ 10,014 |
| Public safety | 4,204 |
| Public works | 84,308 |
| Education | 8,380 |
| Culture and recreation | 7,353 |
| Total depreciation expense - governmental activities | <u>\$ 114,259</u> |

Business-Type Activities:

| | |
|---|------------------|
| Broadband fund | \$ 19,874 |
| Total depreciation expense - business-type activities | <u>\$ 19,874</u> |

D. Interfund Receivables, Payables and Transfers

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

| Transfers Out: | Transfers In: | | Total |
|-----------------------------|-----------------|---------------------------|------------------|
| | General fund | Business- type fund | |
| General fund | \$ - | \$ 14,611 | \$ 14,611 |
| Nonmajor governmental funds | 770 | | 770 |
| Total transfers out | <u>\$ 770</u> | | <u>\$ 15,381</u> |

E. Notes Payable

The Town issues notes to provide funds for the acquisition and construction of major capital facilities.

Notes Payable currently outstanding of the governmental type fund are as follows:

| | Interest Rate | Date Issued | Final Maturity Date | Original Amount Issued | Outstanding June 30, 2012 |
|---|------------------|----------------|---------------------------|------------------------------|------------------------------|
| Inside Debt: | | | | | |
| Serial Note: | | | | | |
| DPW truck | 3.85% | 10/1/2008 | 10/10/2013 | \$ 118,994 | 47,594 |
| Refunding Notes: | | | | | |
| DPW truck | 1.10% | 7/6/2011 | 9/7/2012 | \$ 40,000 | 30,000 |
| Warwick Community School: Sprinkler system | 0.95% | 9/8/2011 | 9/7/2012 | \$ 200,000 | 180,000 |
| Total Governmental Debt | | | | | <u>\$ 257,594</u> |

**TOWN OF WARWICK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2012 are as follows:

Governmental Type Activities

| Year | Principal | Interest | Total |
|------|-------------------|-----------------|-------------------|
| 2013 | \$ 233,800 | \$ 3,905 | \$ 237,705 |
| 2014 | 23,794 | 916 | 24,710 |
| | <u>\$ 257,594</u> | <u>\$ 4,821</u> | <u>\$ 262,415</u> |

A summary of the changes in governmental activities and business-type liabilities during the year is as follows:

| | Balance June 30, 2011 | Additions | Reductions | Balance June 30, 2012 | Amounts Due within One Year |
|---------------------------------|--------------------------|-------------|------------------|--------------------------|-----------------------------------|
| Governmental activities: | | | | | |
| <i>Notes payable:</i> | | | | | |
| Serial loan | \$ 71,394 | \$ - | \$ 23,800 | \$ 47,594 | \$ 23,800 |
| <i>Refunding notes (1)</i> | 270,000 | | 60,000 | 210,000 | 210,000 |
| Governmental activity | | | | | |
| Long-term liabilities | <u>\$ 341,394</u> | <u>\$ -</u> | <u>\$ 83,800</u> | <u>\$ 257,594</u> | <u>\$ 233,800</u> |

-1

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2012 totaled \$257,594.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2012

| | |
|---|---------------------|
| Equalized Valuation-Real Estate and Personal Property (2012) | \$ 84,917,100 |
| Debt Limit: 5 % of Equalized value | <u>\$ 4,245,855</u> |
| Total Debt Outstanding | \$ 257,594 |
| Less: Debt Outside Debt Limit | <u>-</u> |
| | <u>257,594</u> |
| Inside Debt Excess Borrowing Capacity at June 30, 2012 | <u>\$ 3,988,261</u> |

**TOWN OF WARWICK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt.

Loan authorizations that have not been issued as of June 30, 2012 and are not reflected in the Town's financial statements are as follows:

| Date of Town Meeting Authorized | Purpose | Amount |
|--|---|-------------------|
| 5/7/2012 | New four wheel drive one-ton truck for highway department | \$ 65,000 |
| 5/7/2012 | Energy savings and building performance improvements at Warwick Community School | 225,000 |
| | | <u>\$ 290,000</u> |

Overlapping Debt

The Town pays assessments which includes debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The following summary sets forth the long term debt of the governmental unit, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

| | Current Year's Long Term Debt | Town's Estimated Share | Town's Estimated Indirect Debt |
|--------------------------------|--|---------------------------------------|---|
| Pioneer Valley Regional School | <u>\$ 2,015,000</u> | 10.33% | <u>\$ 208,150</u> |

**TOWN OF WARWICK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

F. Fund Balances

The following is a summary of the Governmental Fund fund balances of the Town ended June 30, 2012:

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------------|--|---|
| Nonspendable: | | | |
| Permanent funds | \$ - | \$ 141,412 | \$ 141,412 |
| Restricted: | | | |
| Federal and state grants | - | 15,672 | 15,672 |
| Town revolving funds | - | 12,221 | 12,221 |
| Donations and gifts | - | 13,289 | 13,289 |
| Septic | - | 51,150 | 51,150 |
| Permanent funds | - | 61,696 | 61,696 |
| Other | - | 11,900 | 11,900 |
| | - | 165,928 | 165,928 |
| Assigned: | | | |
| General government | 31,210 | - | 31,210 |
| Public safety | 2,372 | - | 2,372 |
| Public works | 900 | - | 900 |
| Education | 16,137 | - | 16,137 |
| Health and human services | 4,453 | - | 4,453 |
| Employee benefits | 155 | - | 155 |
| Fiscal year 2013 budget | 77,072 | 42,865 | 119,937 |
| | 132,299 | 42,865 | 175,164 |
| Unassigned: | | | |
| General Fund | 258,496 | - | 258,496 |
| Total Governmental Fund Balances | \$ 390,795 | \$ 350,205 | \$ 741,000 |

G. Special Trust Funds

Stabilization Funds

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a town meeting for any lawful purpose.

At June 30, 2012 the balance in the stabilization fund is \$92,425 and is reported in the General Fund as unassigned fund balance.

**TOWN OF WARWICK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

4. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Litigation

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

C. Other Post-Employment Benefits

GASB Statement No. 45

The Town has not elected the provisions of M.G.L. Chapter 32 that pertains to providing other post-employment benefits besides pension benefits to retirees. Accordingly, there is no liability for health, life or any other benefits except retirement as discussed below. Retirees may pay entirely into the Town the cost of their monthly health insurance premium.

D. Pension Plan

Plan Description

The Town, as a member of the Franklin County Retirement System (the System), participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Franklin County Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of Commonwealth of Massachusetts Teachers' Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers' Retirement Board and are the legal responsibility of the Commonwealth.

The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Franklin County Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 278 Main Street, Suite 311, Greenfield, Massachusetts.

Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative

**TOWN OF WARWICK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

expenses are funded through investment earnings. Chapter 32B of the Massachusetts general laws governs the contributions of plan members and the Town.

The Town's contribution to the System for the fiscal years ended June 30, 2012, 2011, and 2010 is shown below, which equaled its required contribution for each fiscal year.

| Fiscal Year Ended June 30 | Town's Contribution |
|--|--------------------------------|
| 2012 | \$ 37,557 |
| 2011 | \$ 37,536 |
| 2010 | \$ 31,295 |

The last actuarial valuation was prepared by Stone Consulting, Inc. as of January 1, 2010. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7.875% compounded annually, (b) projected salary, including longevity, increases of 4.25% per year per member.

The unfunded actuarial liability for the entire system is \$39,890,612. The Town's portion of such liability is approximately 0.75% or \$299,735.

Reporting Policies

The funds of the Franklin County Retirement System are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued and investments are amortized to value. The books are maintained on a calendar year basis from January 1st to December 31st in accordance with the standards and procedures outlined by the Commissioner of the Public Employees Retirement Administration.

Investments are reported in accordance with PERAC requirements.

SUPPLEMENTARY SCHEDULES

**TOWN OF WARWICK, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

| | Fund Balances | | Revenues | Expenditures | Other Financing | | Fund Balances |
|---|-------------------|-------------------|-------------------|-----------------|-----------------|-------------------|---------------|
| | July 1, 2011 | June 30, 2012 | | | Sources (Uses) | June 30, 2012 | |
| Special Revenue: | | | | | | | |
| Federal and State Grants: | | | | | | | |
| Arts Lottery Council Grants | \$ 5,207 | \$ 3,871 | \$ 3,499 | \$ - | \$ - | \$ 5,579 | |
| Council on Aging Grants | 1,494 | 5,000 | 5,948 | - | - | 546 | |
| Community Development Block Grants | - | 449,000 | 449,000 | - | - | - | |
| Highway Grants | - | 120,200 | 120,200 | - | - | - | |
| Library Grants | 4,330 | 1,487 | 935 | - | - | 4,882 | |
| Public Safety Grants | 1,477 | 1,750 | 2,390 | - | - | 837 | |
| Recycling Programs and Grants | 1,300 | - | - | - | - | 1,300 | |
| Right to Know Grants | 228 | - | - | - | - | 228 | |
| Other: | | | | | | | |
| Animal Control Fund | 569 | 644 | 749 | - | - | 464 | |
| Board of Health Septic Inspections Fund | 2,000 | 1,085 | 315 | (770) | - | 2,000 | |
| Cemetery Digging Fees Fund | 695 | 800 | 850 | - | - | 645 | |
| Collector Fees Fund | 100 | 4,567 | 2,153 | - | - | 2,514 | |
| Deputy Collector Fees Fund | 12 | 1,639 | 1,250 | - | - | 401 | |
| Electrical Revolving | 1,360 | 830 | 2,340 | - | - | (150) | |
| Fire Association Building Fund | 4,166 | 14,022 | 16,313 | - | - | 1,875 | |
| Forest Committee Revolving | 2,000 | - | - | - | - | 2,000 | |
| Gifts and Donations | 14,136 | 5,746 | 6,593 | - | - | 13,289 | |
| Inspection Revolving | 590 | 440 | 525 | - | - | 505 | |
| Library Dog Fund | 261 | - | 261 | - | - | - | |
| Off Duty Details | - | 14,880 | 14,880 | - | - | - | |
| Planning Board Revolving | 1,000 | 75 | 371 | - | - | 704 | |
| Plumbing and Gas Inspector Revolving | 1,115 | 1,159 | 1,345 | - | - | 929 | |
| Police Firearms Permits | - | 1,287 | 600 | - | - | 687 | |
| Program Income Fund | 18,000 | 28,065 | 900 | - | - | 45,165 | |
| Recreation Revolving | 701 | 1,489 | 1,281 | - | - | 909 | |
| Recycling Revolving | 430 | - | - | - | - | 430 | |
| Sale of Lots | 2,585 | - | - | - | - | 2,585 | |
| Selectman Revolving | 546 | 75 | 144 | - | - | 477 | |
| Septic System Fund | 51,148 | 2 | - | - | - | 51,150 | |
| Town Clerk Fees Fund | - | 622 | 562 | - | - | 60 | |
| Town Hall Maintenance | 75 | - | - | - | - | 75 | |
| Total Special Revenue Funds | \$ 115,525 | \$ 658,735 | \$ 633,404 | \$ (770) | \$ (770) | \$ 140,086 | |

**TOWN OF WARWICK, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

| | Fund Balances July 1, 2011 | Revenues | Expenditures | Other Financing Sources (Uses) | Fund Balances June 30, 2012 |
|---|-------------------------------|-------------------|-------------------|-----------------------------------|--------------------------------|
| Continued from Page 38 | \$ 115,525 | \$ 658,735 | \$ 633,404 | \$ (770) | \$ 140,086 |
| Special Revenue (continued): | | | | | |
| Other (continued): | | | | | |
| Transfer Station Shelter Fund | 713 | - | 713 | - | - |
| Wetlands Protection Fund | 7,005 | 103 | 97 | - | 7,011 |
| Total Special Revenue Funds | 123,243 | 658,838 | 634,214 | (770) | 147,097 |
| Perpetual Permanent Funds: | | | | | |
| Anderson Memorial | 53,580 | - | - | - | 53,580 |
| Cemetery Perpetual Care Funds | 32,702 | 600 | - | - | 33,302 |
| Howard Poor Fund | 1,000 | - | - | - | 1,000 |
| Howard Religious | 1,000 | - | - | - | 1,000 |
| Library Funds | 51,424 | 102 | - | - | 51,526 |
| Mary Ann Hastings Fund | 960 | - | - | - | 960 |
| Mill Stone Monument Fund | 44 | - | - | - | 44 |
| Total Permanent Funds | 140,710 | 702 | - | - | 141,412 |
| Permanent Funds: | | | | | |
| Anderson Memorial | 441 | 189 | 500 | - | 130 |
| Cemetery Perpetual Care Funds | 35,002 | 236 | 3,285 | - | 31,953 |
| Howard Poor Fund | 8,865 | 34 | - | - | 8,899 |
| Howard Religious | 839 | 6 | - | - | 845 |
| Library Funds | 33,036 | 822 | 2,548 | - | 31,310 |
| Mary Ann Hastings Fund | 6,725 | 23 | 105 | - | 6,643 |
| Mill Stone Monument Fund | 1,234 | 4 | - | - | 1,238 |
| Unrealized Gain/Loss | (19,693) | 371 | - | - | (19,322) |
| Total Permanent Funds | 66,449 | 1,685 | 6,438 | - | 61,696 |
| Total - Non-Major Governmental Funds | \$ 330,402 | \$ 661,225 | \$ 640,652 | \$ (770) | \$ 350,205 |

**TOWN OF WARWICK, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES
JULY 1, 2011 TO JUNE 30, 2012**

| | Uncollected Taxes July 1, 2011 | Commitments | Abatements and Adjustments | Collections Net of Refunds and Overpayments | Uncollected Taxes June 30, 2012 | Uncollected Taxes Per Detail June 30, 2012 |
|--|--------------------------------------|---------------------|----------------------------------|---|---------------------------------------|---|
| Real Estate Taxes: | | | | | | |
| Levy of 2012 | \$ - | \$ 1,299,963 | \$ 12,581 | \$ 1,272,275 | \$ 15,107 | \$ 15,107 |
| Levy of 2011 | 36,514 | - | 7,648 | 28,870 | (4) | (4) |
| Levy of 2010 | 9,664 | - | 4,832 | 4,832 | - | - |
| Levy of 2009 | 6,273 | - | 4,587 | 1,686 | - | - |
| Levy of 2008 | 1,849 | - | 1,402 | 447 | - | - |
| Prior Years | 6,989 | - | 6,461 | 528 | - | - |
| | <u>61,289</u> | <u>1,299,963</u> | <u>37,511</u> | <u>1,308,638</u> | <u>15,103</u> | <u>15,103</u> |
| Personal Property Taxes: | | | | | | |
| | - | 39,306 | - | 39,306 | - | - |
| Total Real Estate and Personal Property Taxes | <u>\$ 61,289</u> | <u>\$ 1,339,269</u> | <u>\$ 37,511</u> | <u>\$ 1,347,944</u> | <u>\$ 15,103</u> | <u>\$ 15,103</u> |

**TOWN OF WARWICK, MASSACHUSETTS
 SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
 JULY 1, 2011 TO JUNE 30, 2012**

| | Uncollected Taxes July 1, 2011 | Commitments | Abatements and Adjustments | Collections Net of Refunds and Overpayments | Uncollected Taxes June 30, 2012 | Uncollected Taxes Per Detail June 30, 2012 |
|---|--------------------------------------|------------------|----------------------------------|---|---------------------------------------|---|
| Motor Vehicle Excise Taxes: | | | | | | |
| Levy of 2012 | \$ - | \$ 72,364 | \$ 2,461 | \$ 67,922 | \$ 1,981 | \$ 1,981 |
| Levy of 2011 | 1,827 | 9,304 | 2,723 | 8,408 | - | - |
| Levy of 2010 | 627 | - | 485 | 142 | - | - |
| Total Motor Vehicle Excise Taxes | \$ 2,454 | \$ 81,668 | \$ 5,669 | \$ 76,472 | \$ 1,981 | \$ 1,981 |

TOWN OF WARWICK, MASSACHUSETTS
 SCHEDULE OF TAX LIENS
 JULY 1, 2011 TO JUNE 30, 2012

| | Uncollected Accounts July 1, 2011 | Commitments | Abatements and Adjustments | Collections Net of Refunds and Overpayments | Uncollected Accounts June 30, 2012 | Uncollected Accounts Per Detail June 30, 2012 |
|-----------|---|-------------|----------------------------------|---|--|--|
| Tax Liens | \$ 21,417 | \$ 43,717 | \$ - | \$ 4,278 | \$ 60,856 | \$ 60,856 |