

TOWN OF WRENTHAM, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2013

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INDEPENDENT AUDITORS REPORT

To the Honorable Board of Selectmen
Town of Wrentham, Massachusetts

Report on the Financial Statements

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 Wrentham, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Wrentham's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Wrentham, Massachusetts, as of June 30, 2013, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retirement system schedules of funding progress and employer contributions and other postemployment benefits – schedules of funding progress and employer contributions on pages 3-14, 57 and 58 – 59 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 the financial reporting for placing the basic financial statements in 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2014, on our consideration of the Town of Wrentham, Massachusetts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our audit testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Wrentham, Massachusetts's internal control over financial reporting and compliance.

R.E. Brown & Company

April 28, 2014

Management's Discussion and Analysis

As management of the Town of Wrentham (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013. We encourage readers to consider this information in addition to the statements and notes.

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

Financial Highlights

The combined total net position of the Town exceeded the combined total liabilities by \$38.0 million, a decrease of \$1.4 million or 3.58 % less than the Town's net position for the previous fiscal year. A total of \$34.9 million or 91.74% of this sum represents the Town's net investment in capital assets. A total of \$4.9 million or 12.9% of net position is legally restricted for specific future uses by the Town.

Net assets for governmental activities of the Town decreased by \$0.3 million while net assets for the one business-type activity (Water) decreased by \$0.1 million.

Total revenue for the year for all funds was \$40.3 million; \$ 0.9 million or 2.2% more than the total revenue for the fiscal year ended June 30, 2012.

	Fiscal Year Ended June 30, 2013	%	Fiscal Year Ended June 30, 2012	%
		Total		Total
Property Taxes	\$ 26,138,654	64.85%	\$ 25,242,442	64.02%
Motor Vehicle Excise Taxes	1,457,235	3.62%	1,454,369	3.69%
Penalties and Interest	146,817	0.36%	115,824	0.29%
Payments in Lieu of Taxes	8,531	0.02%	8,246	0.02%
Charges for Services	4,266,778	10.59%	4,226,245	10.72%
Operating Grants and Contributions	6,520,293	16.18%	6,326,715	16.04%
Capital Grants and Contributions	534,083	1.33%	534,273	1.35%
Nonrestricted Grants and Contributions	1,170,956	2.91%	1,428,932	3.62%
Unrestricted Investments and Other	63,062	0.16%	94,748	0.24%
Total Revenue	\$ 40,306,409	100.00%	\$ 39,431,794	100.00%

Total expenditures for the year for all funds was \$41.7 million; \$1.5 million or 3.7% more than the total expenditures for the fiscal year ended June 30, 2012.

	Fiscal Year		Fiscal Year	
	Ended	%	Ended	%
	June 30, 2013	Total	June 30, 2012	Total
General government	\$ 1,334,809	3.20%	\$ 1,358,524	3.38%
Public safety	4,755,260	11.40%	4,691,462	11.66%
Education	20,402,344	48.89%	19,173,845	47.65%
Public works	2,861,875	6.86%	2,652,608	6.59%
Human services	360,289	0.86%	356,781	0.89%
Culture and recreation	757,894	1.82%	775,740	1.93%
Employee benefits	8,537,968	20.46%	8,552,606	21.25%
State and county assessments	321,200	0.77%	302,356	0.75%
Interest	446,471	1.07%	466,282	1.16%
Water	1,950,929	4.68%	1,912,824	4.75%
Total expenditures	<u>\$ 41,729,039</u>	<u>100.00%</u>	<u>\$ 40,243,028</u>	<u>100.00%</u>

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Wrentham’s basic financial statements. The Town of Wrentham’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements provide both short-term and long-term information about the Town. The fund financial statements focus on the individual parts of the Town government, reporting the operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison, and improve the Town’s accountability.

Government-Wide Financial Statements

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

Statement of Net Position– Presents all of the government’s assets and liabilities, with the difference being reported as “net position”. The amount of net position is widely considered a good measure of the Town’s financial health. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating. The reader should also consider other non-financial factors, such as the condition of the Town’s infrastructure and changes in the property tax base, to assess the overall health of the Town.

Statement of Activities – Presents information showing how the Town’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported for some items that will not result in cash flows until future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave).

In the government-wide statements, financial information is presented in two columns in order to summarize the Town’s programs or activities. The types of activities presented are as follows:

Governmental Activities – Taxes and intergovernmental revenues primarily support the functions of the government and are reported in this section. Most of the Town’s basic services are reported here including general government, public safety, education, public works, human services, culture, recreation, debt service, state/county charges and assessments, insurance, and employees’ benefits.

Business-Type Activities – These functions are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The Water Enterprise Fund operation is considered a business-type activity.

Fund Financial Statements

Traditional readers of government financial statements will find the fund financial statement presentation to be most familiar. 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. The Town of Wrentham, like most other local governments, uses a fund accounting system to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories:

Governmental Funds – Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information is useful in evaluating the Town’s near-term financing requirements. This approach reflects the modified accrual basis of accounting, which uses the flow of current financial resources measurement focus. Such statements provide a detailed short-term view of the Town’s finances that assist in determining whether there will be adequate financial resources available to meet current needs.

Because the focus of governmental funds financial statements is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison will assist the reader in understanding the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Town maintains one (1) major governmental fund that is presented separately in the governmental funds financial statements. The remaining non-major funds are combined into a single, aggregated presentation.

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

Proprietary Fund – Provides services for which the Town charges customers a fee and operates similar to a commercial business. The proprietary fund provides the same type of information as in the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the full accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements and the proprietary fund financial statements.

Fiduciary Funds – Such funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to Basic Financial Statements

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

Government-Wide Financial Analysis

Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial condition. The Town's net position as of June 30, 2013 was \$38.0 million, of which the governmental activities were \$28.8 million and the business-type activities were \$9.2 million.

The largest portion of the Town's net position (91.7%) reflects its investment in capital assets (land, buildings, improvements other than buildings, construction in progress, vehicles, machinery and equipment, software, and infrastructure); less any related debt used to acquire those assets that remain outstanding. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. It is important to note that other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

Of the Town's total net position, 12.9% are subject to external restrictions on how they may be used.

Total current assets within the governmental activities were \$12.4 million and included cash & investments of \$9.3 million and receivables net of allowances of \$3.1 million.

Total current liabilities within the governmental activities were \$3.4 million and included accounts payable of \$1.6 million and bonds and notes payable of \$1.5 million.

Noncurrent liabilities within the governmental activities were \$19.0 million and included \$7.9 million of general obligation bonds payable and \$10.7 million in postemployment benefits liability.

Total current assets within the business-type activities were \$2.2 million and included cash & investments of \$1.5 million and receivables of \$0.7 million.

Current liabilities within the business-type activities were \$0.3 million and included \$0.2 million of bonds and notes payable. Noncurrent liabilities within the business-type activities were \$3.2 million and included \$2.9 million of general obligation bonds payable and \$0.3 million in postemployment benefits liability.

Comparative Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Assets:						
Current assets	\$ 12,399,460	\$ 12,309,337	\$ 2,231,991	\$ 2,028,833	\$ 14,631,451	\$ 14,338,170
Noncurrent assets	38,824,165	39,211,899	10,392,381	10,688,388	49,216,546	49,900,287
Total assets	51,223,625	51,521,236	12,624,372	12,717,221	63,847,997	64,238,457
Liabilities:						
Current liabilities	3,406,249	3,265,997	271,855	354,279	3,678,104	3,620,276
Noncurrent liabilities	18,974,955	17,843,854	3,191,675	3,360,134	22,166,630	21,203,988
Total liabilities	22,381,204	21,109,851	3,463,530	3,714,413	25,844,734	24,824,264
Net Position:						
Net investment in capital assets	27,604,455	26,591,578	7,259,288	7,334,432	34,863,743	33,926,010
Restricted	4,904,718	5,063,992	-	-	4,904,718	5,063,992
Unrestricted	(3,666,752)	(1,244,185)	1,901,554	1,668,376	(1,765,198)	424,191
Total net position	\$ 28,842,421	\$ 30,411,385	\$ 9,160,842	\$ 9,002,808	\$ 38,003,263	\$ 39,414,193

The level of investment for FY2013 has risen as compared to FY2012. Governmental activities' capital assets (net of related debt) increased by \$1.0 million while business type activities' capital assets declined by a marginal \$75,144.

Governmental activities current assets have increased by 0.73% as compared with FY2012 while business-type activity (water) current assets increased by 10.0%.

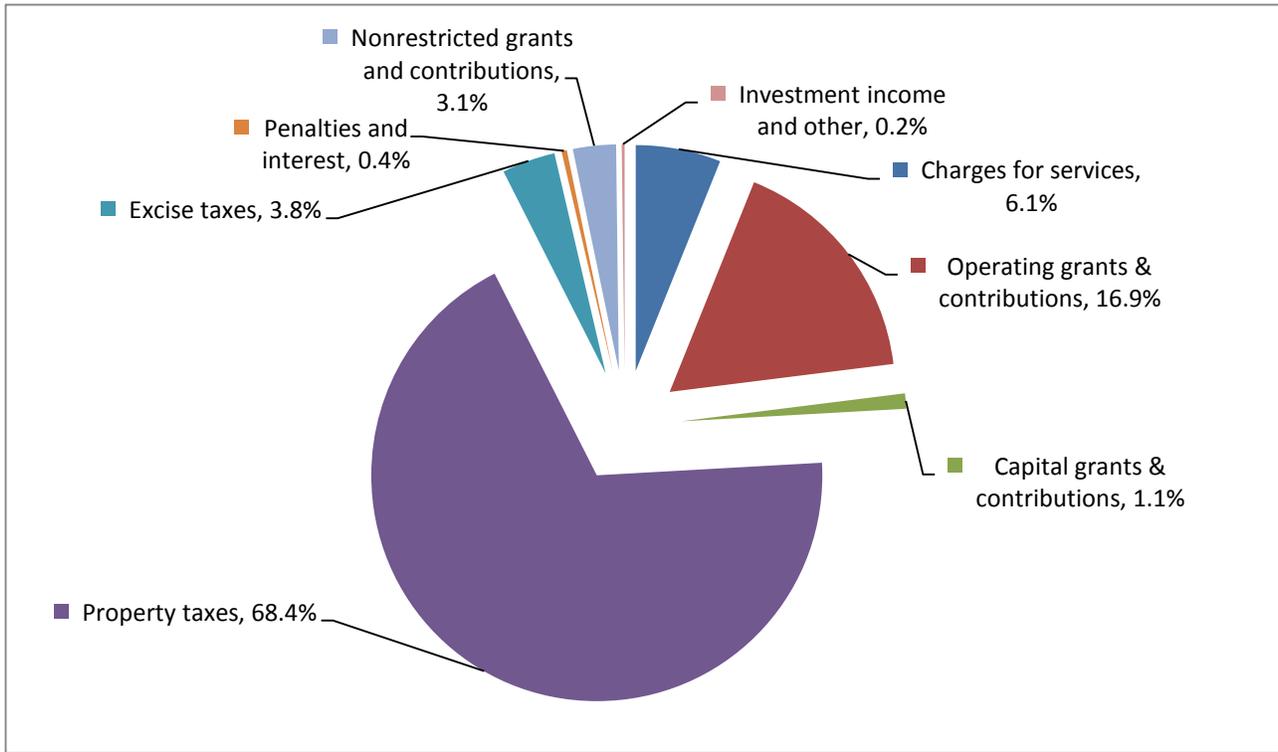
Governmental activities current liabilities' increased by \$0.1 million and non-current liabilities increased \$1.1 million. Business-type activity (water) current liabilities decreased \$0.1 million while non-current liabilities decreased \$0.2 million.

Governmental activities decreased the Town of Wrentham's net position by \$1.6 million. Presented below are the components that contributed to the change in net position, along with comparative data for the previous fiscal year:

Comparative Changes in Net Position

	Governmental Activities		Increase/ (Decrease)
	FY 2013	FY 2012	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 2,328,871	\$ 2,427,945	\$ (99,074)
Operating grants and contributions	6,464,297	6,260,329	203,968
Capital grants and contributions	423,525	421,111	2,414
<i>General Revenues:</i>			
Real Estate and personal property taxes	26,138,654	25,242,442	896,212
Motor vehicle and other excise taxes	1,457,235	1,454,369	2,866
Penalties and interest	146,817	115,824	30,993
Payments in lieu of taxes	8,531	8,246	285
Nonrestricted grants and contributions	1,170,956	1,428,932	(257,976)
Unrestricted investment income & other	63,062	94,748	(31,686)
Total Revenues	<u>38,201,948</u>	<u>37,453,946</u>	<u>748,002</u>
Expenses:			
General Government	1,334,809	1,358,524	(23,715)
Public Safety	4,755,260	4,691,462	63,798
Education	20,402,344	19,173,845	1,228,499
Public Works	2,861,875	2,652,608	209,267
Human Services	360,289	356,781	3,508
Culture and Recreation	757,894	775,740	(17,846)
Employee Benefits	8,537,968	8,552,606	(14,638)
State and County Assessments	321,200	302,356	18,844
Interest	446,471	466,282	(19,811)
Total Expenses	<u>39,778,110</u>	<u>38,330,204</u>	<u>1,447,906</u>
Increase/(Decrease) in Net Position before Contributions to Term and Permanent Endowments or Permanent Fund Principal, and Transfers	(1,576,162)	(876,258)	(699,904)
Contribution to Permanent Funds	11,700	13,250	(1,550)
Transfers	<u>(4,502)</u>	<u>(422)</u>	<u>(4,080)</u>
Change in Net Position	<u>(1,568,964)</u>	<u>(863,430)</u>	<u>(705,534)</u>
Net Position - beginning	<u>30,411,385</u>	<u>31,274,815</u>	
Net Position - ending	<u>\$ 28,842,421</u>	<u>\$ 30,411,385</u>	

Governmental Activities –FY2013 Revenues



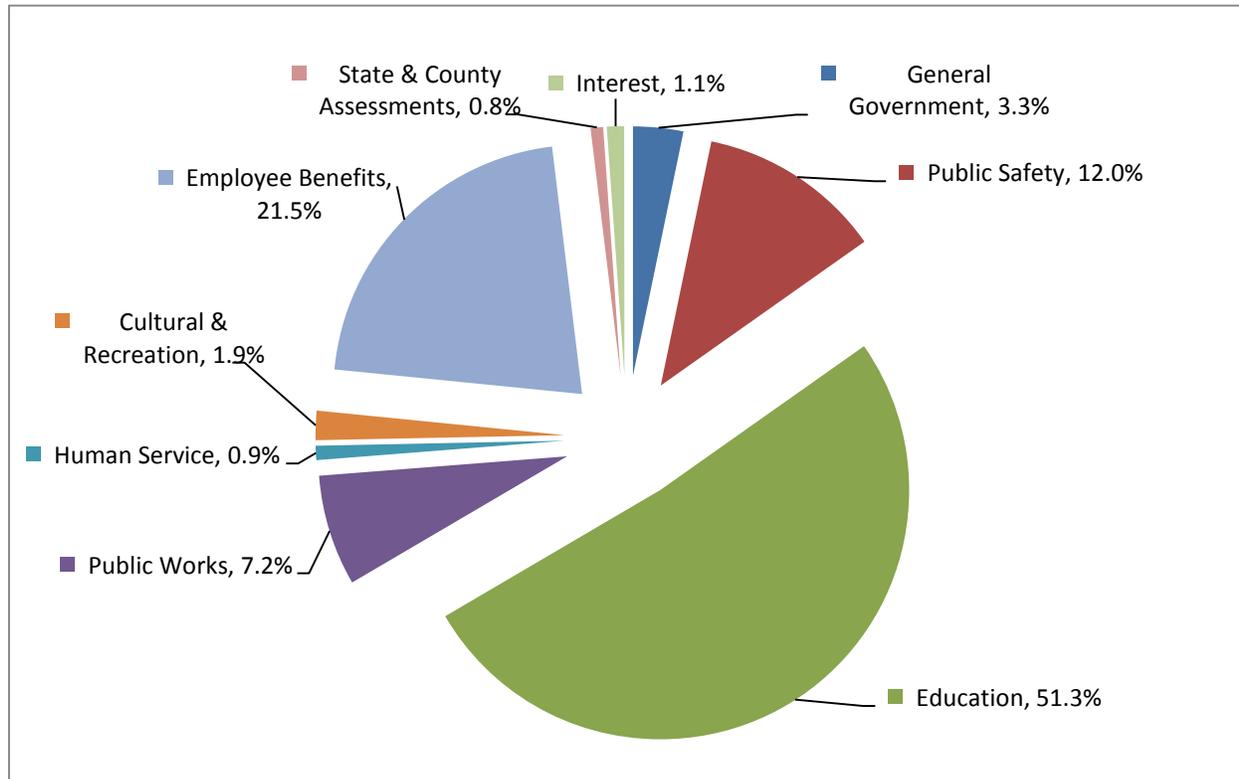
Revenues

Property taxes support 68.4% of the Town's governmental activities. When compared to the prior year's distribution, the percentage of total for each revenue category showed an insignificant change if any at all. This continues the pressure to raise property tax revenue to the statutory maximum allowed.

Just under 68% of the operating grants and contributions apply to education operations. Approximately 36% and 34% of the charges for services revenue represent revenues generated for the public safety departments (Police, Fire, Dispatch and Inspection) and education services respectively.

As in FY2012, 100% of capital grants and contributions apply to public works.

Governmental Activities – FY2013 Expenses



Expenses

Attributing for slightly more than one-half of the total expenditures, education remains the largest governmental activity of the Town. Just over \$15.2 million in taxes and other revenues were needed to cover the FY2013 operating expenses for education.

Employee benefits and public safety continue to represent the second and third largest governmental activities of the Town. Approximately \$7.0 million and \$3.9 million of taxes and other revenues were needed to cover the FY2013 operating expenses for those two activities respectively.

The Town's management has been and continues to be committed to strong budgetary controls. In total, departmental expenses increased 3.8% in comparison to FY2012, of which 85% was education expenditures. Several departments were able to reduce expenses during FY2013.

Business-Type Activities

The Water operation is the single activity reported as a business-type.

Business-type activities net position increased by \$158,034. Presented below are the components that contributed to the change in net position, along with comparative data for the previous fiscal year:

	Business-type Activities		Increase/ (Decrease)
	FY 2013	FY 2012	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 1,937,907	\$ 1,798,300	\$ 139,607
Operating grants and contributions	55,996	66,386	(10,390)
Capital grants and contributions	110,558	113,162	(2,604)
Total Revenues	<u>2,104,461</u>	<u>1,977,848</u>	<u>126,613</u>
Expenses:			
Water	1,950,929	1,912,824	38,105
Total Expenses	<u>1,950,929</u>	<u>1,912,824</u>	<u>38,105</u>
Excess/(deficiency) in revenues over/(under) expenses	<u>153,532</u>	<u>65,024</u>	<u>88,508</u>
Transfers	<u>4,502</u>	<u>422</u>	<u>4,080</u>
Change in Net Position	<u>158,034</u>	<u>65,446</u>	<u>92,588</u>
Net Position - beginning	<u>9,002,808</u>	<u>8,937,362</u>	
Net Position - ending	<u>\$ 9,160,842</u>	<u>\$ 9,002,808</u>	

Financial Analysis of the Government's Funds

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

Governmental Funds

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

At the end of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$8.3 million, an increase of \$0.1 million in comparison with the prior fiscal year. The General Fund is the chief operating fund of the Town. At the end of the fiscal year, unassigned fund balance was \$4,456,496 while total fund balance was \$5,962,087. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures.

Proprietary Funds

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. At the end of the fiscal year, total net position for the Water operation was \$9.2 million; \$7.3 million of which relates to the Town's net investment in capital assets.

General Fund Budgetary Highlights

The original general fund budget was increased by \$154,615 to the final budget of approximately \$35.4 million. Additional funds were primarily needed for public works expenditures.

Revenues exceeded budgetary amounts by \$685,253 and expenditures were less than budgetary amounts by \$1,061,807. The greatest budgetary savings was seen in employee benefits. Favorable revenue types include motor vehicle excise and departmental fees. All departments realized budget savings reflecting extraordinary budgetary management.

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, 2013 amount to \$47,732,970 (net of accumulated depreciation). This investment includes land, buildings, improvements other than buildings, construction in progress, vehicles, machinery and equipment, software, and infrastructure.

The town invested just under \$800,000 in public safety vehicles and slightly over \$500,000 in roadway improvements during the fiscal year.

Capital Assets
(Net of Accumulated Depreciation)

Governmental activities	FY 2013	FY 2012	Increase/ (Decrease)
General Government	\$ 7,116,997	\$ 7,176,189	\$ (59,192)
Public Safety	8,827,402	8,408,382	419,020
Education	10,933,211	11,346,071	(412,860)
Public Works	7,066,314	7,024,660	41,654
Human Services	142,128	137,840	4,288
Culture & Recreation	3,254,537	3,342,611	(88,074)
Total by function	37,340,589	37,435,753	(95,164)
Business-type activities			
Water	10,392,381	10,688,388	(296,007)
Grand Total	\$ 47,732,970	\$ 48,124,141	\$ (391,171)

Debt

The Town continues to hold a Standard & Poor's rating of AA+. At the end of the fiscal year the Town had a total bonded debt outstanding of \$12,459,783. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the government. The Town has no revenue bonds outstanding, which are bonds secured solely by specified revenue sources.

No General Obligation Bonds were issued during FY2013.

Outstanding Debt at Year End

Governmental Activities	Outstanding June 30, 2013	Outstanding June 30, 2012
School Buildings	\$ 3,580,000	\$ 4,035,000
Municipal Buildings	4,655,000	5,530,000
Land Acquisition	855,000	980,000
Other	236,690	289,326
Total Governmental Activities	\$ 9,326,690	\$ 10,834,326
Business-type Activities		
Water Mains/Improvements	\$ 3,133,093	\$ 3,353,956

Additional information on the Town’s debt service can be found in the *Notes to the Financial Statements* (**Note 8** – Short-term financing and **Note 9** – Long-term debt).

Economic Factors and Next Year’s Budget and Rates

The fiscal difficulties experienced by the Commonwealth of Massachusetts are projected to improve in the coming years. Both residential property growth and commercial construction has been limited, but recent increases reflect recovering conditions and the outlook is cautiously optimistic.

Employee benefits, education requirements and the general maintenance of assets are expected to pressure operating budgets. Conservative increases to services are expected over the next few years.

The Town has a balanced budget for FY2014 and remains diligent in its efforts to balance the FY2015 budget.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town of Wrentham’s finances. Questions concerning the information provided in this report or requests for additional information should be addressed to the Office of the Town Accountant, 79 South Street, Wrentham, MA 02093.

**TOWN OF WRENTHAM, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2013**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 6,818,280	\$ 1,549,039	\$ 8,367,319
INVESTMENTS	2,521,400	-	2,521,400
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	334,799	-	334,799
TAX LIENS	902,687	-	902,687
MOTOR VEHICLE EXCISE TAXES	52,432	-	52,432
USER FEES	-	682,952	682,952
DEPARTMENTAL AND OTHER	365,002	-	365,002
INTERGOVERNMENTAL	1,404,860	-	1,404,860
NONCURRENT:			
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
INTERGOVERNMENTAL	1,483,576	-	1,483,576
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	37,340,589	10,392,381	47,732,970
TOTAL ASSETS	51,223,625	12,624,372	63,847,997
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	1,629,192	35,312	1,664,504
OTHER LIABILITIES	50,940	-	50,940
ACCRUED INTEREST	73,097	8,069	81,166
CAPITAL LEASE PAYABLE	64,924	-	64,924
BONDS AND NOTES PAYABLE	1,474,972	225,777	1,700,749
COMPENSATED ABSENCES	113,124	2,697	115,821
NONCURRENT:			
CAPITAL LEASE PAYABLE	344,520	-	344,520
BONDS AND NOTES PAYABLE	7,851,718	2,907,316	10,759,034
COMPENSATED ABSENCES	30,145	7,624	37,769
POSTEMPLOYMENT BENEFITS	10,748,572	276,735	11,025,307
TOTAL LIABILITIES	22,381,204	3,463,530	25,844,734
<u>NET POSITION</u>			
NET INVESTMENT IN CAPITAL ASSETS	27,604,455	7,259,288	34,863,743
RESTRICTED FOR:			
STREETS	608,046	-	608,046
PERMANENT FUNDS:			
EXPENDABLE	135,653	-	135,653
NONEXPENDABLE	224,463	-	224,463
OTHER PURPOSES	3,936,556	-	3,936,556
UNRESTRICTED	(3,666,752)	1,901,554	(1,765,198)
TOTAL NET POSITION	\$ 28,842,421	\$ 9,160,842	\$ 38,003,263

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2013**

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUE</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 1,334,809	\$ 147,769	\$ 243,895	\$ -	\$ (943,145)
PUBLIC SAFETY	4,755,260	829,522	64,750	-	(3,860,988)
EDUCATION	20,402,344	797,314	4,367,467	-	(15,237,563)
PUBLIC WORKS	2,861,875	130,263	13,749	423,525	(2,294,338)
HUMAN SERVICES	360,289	209,808	85,827	-	(64,654)
CULTURE & RECREATION	757,894	214,195	177,619	-	(366,080)
EMPLOYEE BENEFITS	8,537,968	-	1,510,990	-	(7,026,978)
STATE & COUNTY ASSESSMENTS	321,200	-	-	-	(321,200)
INTEREST	446,471	-	-	-	(446,471)
TOTAL GOVERNMENTAL ACTIVITIES	39,778,110	2,328,871	6,464,297	423,525	(30,561,417)
BUSINESS-TYPE ACTIVITIES:					
WATER	1,950,929	1,937,907	55,996	110,558	153,532
TOTAL PRIMARY GOVERNMENT	\$ 41,729,039	\$ 4,266,778	\$ 6,520,293	\$ 534,083	\$ (30,407,885)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF WRENTHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2013**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET POSITION:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (30,561,417)	\$ 153,532	\$ (30,407,885)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	25,825,346	-	25,825,346
TAX LIENS	313,308	-	313,308
MOTOR VEHICL EXCISE TAXES	1,457,235	-	1,457,235
PENALTIES AND INTEREST ON TAXES	146,817	-	146,817
PAYMENTS IN LIEU OF TAXES	8,531	-	8,531
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,170,956	-	1,170,956
UNRESTRICTED INVESTMENT INCOME	20,366	-	20,366
CONTRIBUTIONS TO PERMANENT FUNDS	11,700	-	11,700
MISCELLANEOUS	42,696	-	42,696
TRANSFERS, NET	(4,502)	4,502	-
TOTAL GENERAL REVENUES AND TRANSFERS	28,992,453	4,502	28,996,955
CHANGE IN NET POSITION	(1,568,964)	158,034	(1,410,930)
NET POSITION:			
BEGINNING OF YEAR	30,411,385	9,002,808	39,414,193
END OF YEAR	\$ 28,842,421	\$ 9,160,842	\$ 38,003,263

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF WRENTHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013**

<u>ASSETS</u>	<u>GENERAL</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
CASH AND SHORT-TERM INVESTMENTS	\$ 5,437,493	\$ 1,380,787	\$ 6,818,280
INVESTMENTS	1,950,207	571,193	2,521,400
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	334,799	-	334,799
TAX LIENS	902,687	-	902,687
MOTOR VEHICLE EXCISE TAXES	52,432	-	52,432
DEPARTMENTAL AND OTHER	1,228	363,774	365,002
INTERGOVERNMENTAL	1,784,984	1,103,452	2,888,436
TOTAL ASSETS	\$ 10,463,830	\$ 3,419,206	\$ 13,883,036
 <u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
ACCOUNTS PAYABLE	\$ 1,545,282	\$ 83,910	\$ 1,629,192
OTHER LIABILITIES	50,940	-	50,940
DEFERRED REVENUES	2,905,521	971,820	3,877,341
TOTAL LIABILITIES	4,501,743	1,055,730	5,557,473
FUND BALANCES:			
NONSPENDABLE	-	224,463	224,463
RESTRICTED	-	2,202,843	2,202,843
COMMITTED	76,276	-	76,276
ASSIGNED	1,429,315	-	1,429,315
UNASSIGNED	4,456,496	(63,830)	4,392,666
TOTAL FUND BALANCES	5,962,087	2,363,476	8,325,563
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,463,830	\$ 3,419,206	\$ 13,883,036

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2013**

	<u>GENERAL</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES:</u>			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 26,102,793	\$ -	\$ 26,102,793
MOTOR VEHICLE EXCISE TAXES	1,488,682	-	1,488,682
PENALTIES AND INTEREST ON TAXES	145,589	-	145,589
INTERGOVERNMENTAL CHARGES FOR SERVICES	6,527,848	1,197,164	7,725,012
INVESTMENT INCOME	20,366	7,045	27,411
CONTRIBUTIONS & DONATIONS	-	191,299	191,299
DEPARTMENTAL AND OTHER	1,299,848	30,504	1,330,352
TOTAL REVENUES	35,585,126	3,087,311	38,672,437
<u>EXPENDITURES:</u>			
CURRENT:			
GENERAL GOVERNMENT	1,258,065	17,552	1,275,617
PUBLIC SAFETY	5,108,301	148,900	5,257,201
EDUCATION	18,335,176	1,654,308	19,989,484
PUBLIC WORKS	2,357,109	546,420	2,903,529
HUMAN SERVICES	339,110	25,467	364,577
CULTURE & RECREATION	395,677	274,143	669,820
EMPLOYEE BENEFITS	6,290,305	-	6,290,305
STATE & COUNTY ASSESSMENTS	321,200	-	321,200
DEBT SERVICE			
PRINCIPAL	1,507,636	-	1,507,636
INTEREST	455,269	-	455,269
TOTAL EXPENDITURES	36,367,848	2,666,790	39,034,638
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(782,722)	420,521	(362,201)
<u>OTHER FINANCING SOURCES (USES)</u>			
PROCEEDS FROM CAPITAL LEASE	482,516	-	482,516
OPERATING TRANSFERS IN	420,020	-	420,020
OPERATING TRANSFERS OUT	(4,502)	(420,020)	(424,522)
TOTAL OTHER FINANCING SOURCES (USES)	898,034	(420,020)	478,014
NET CHANGE IN FUND BALANCES	115,312	501	115,813
FUND BALANCES AT BEGINNING OF YEAR	5,846,775	2,362,975	8,209,750
FUND BALANCES AT END OF YEAR	\$ 5,962,087	\$ 2,363,476	\$ 8,325,563

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

TOTAL GOVERNMENTAL FUND BALANCES		\$	8,325,563
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS			37,340,589
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS			3,877,341
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE			(73,097)
LONG-TERM LIABILITIES ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE GOVERNMENTAL FUNDS			
BONDS AND NOTES PAYABLE	(9,326,690)		
CAPITAL LEASE PAYABLE	(409,444)		
OTHER POSTEMPLOYMENT BENEFITS (OPEB)	(10,748,572)		
COMPENSATED ABSENCES	<u>(143,269)</u>		
NET EFFECT OF REPORTING LONG-TERM LIABILITIES			<u>(20,627,975)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		\$	<u>28,842,421</u>

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2013**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 115,813
<p>GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES. HOWEVER, IN THE STATEMENT OF ACTIVITIES THE COST OF THOSE ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AND REPORTED AS DEPRECIATION EXPENSE.</p>		
CAPITAL OUTLAY	1,597,081	
DEPRECIATION EXPENSE	<u>(1,692,245)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		(95,164)
<p>REVENUES IN THE STATEMENT OF ACTIVITIES THAT DO NOT PROVIDE CURRENT FINANCIAL RESOURCES ARE FULLY DEFERRED IN THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES. THEREFORE, THE RECOGNITION OF REVENUE FOR VARIOUS TYPES OF ACCOUNTS RECEIVABLE (I.E. REAL ESTATE AND PERSONAL PROPERTY, MOTOR VEHICLE EXCISE, ETC.) DIFFER BETWEEN THE TWO STATEMENTS. THIS AMOUNT REPRESENTS THE NET CHANGE IN DEFERRED REVENUE</p>		
		(458,789)
<p>THE ISSUANCE OF LONG-TERM DEBT (E.G., BONDS) PROVIDES CURRENT FINANCIAL RESOURCES TO GOVERNMENTAL FUNDS, WHILE THE REPAYMENT OF THE PRINCIPAL OF LONG-TERM DEBT CONSUMES THE FINANCIAL RESOURCES OF GOVERNMENTAL FUNDS. NEITHER TRANSACTION, HOWEVER, HAS ANY EFFECT ON NET ASSETS. ALSO, GOVERNMENTAL FUNDS REPORT THE EFFECT OF ISSUANCE COSTS, PREMIUMS, DISCOUNTS, AND SIMILAR ITEMS WHEN DEBT IS FIRST ISSUED, WHEREAS THESE AMOUNTS ARE DEFERRED AND AMORTIZED IN THE STATEMENT OF ACTIVITIES.</p>		
PROCEEDS FROM CAPITAL LEASE	(482,516)	
CAPITAL LEASE PAYMENTS	82,921	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>1,507,636</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		1,108,041
<p>SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED AS EXPENDITURES IN THE GOVERNMENTAL FUNDS.</p>		
NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	(2,261,363)	
NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	13,700	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>8,798</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>(2,238,865)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ (1,568,964)</u>

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2013**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE OVER(UNDER)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 26,159,080	\$ 26,159,080	\$ 26,102,793	\$ (56,287)
MOTOR VEHICLE EXCISE TAXES	1,295,491	1,295,491	1,488,682	193,191
PENALTIES & INTEREST ON TAXES	80,000	80,000	145,589	65,589
INTERGOVERNMENTAL	4,939,167	4,939,167	5,001,803	62,636
INVESTMENT INCOME	30,000	30,000	27,256	(2,744)
DEPARTMENTAL AND OTHER	876,980	876,980	1,299,848	422,868
TOTAL REVENUES	<u>33,380,718</u>	<u>33,380,718</u>	<u>34,065,971</u>	<u>685,253</u>
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	1,433,856	1,401,006	1,256,510	144,496
PUBLIC SAFETY	4,702,055	4,702,805	4,635,112	67,693
EDUCATION	18,320,705	18,320,705	18,286,086	34,619
PUBLIC WORKS	2,285,439	2,465,054	2,383,109	81,945
HUMAN SERVICES	339,421	346,521	339,268	7,253
CULTURE & RECREATION	400,786	400,786	395,677	5,109
EMPLOYEE BENEFITS	5,493,719	5,493,719	4,779,225	714,494
STATE & COUNTY ASSESSMENTS	327,257	327,257	321,200	6,057
DEBT SERVICE:				
PRINCIPAL	1,498,798	1,498,798	1,498,797	1
INTEREST	449,283	449,283	449,143	140
TOTAL EXPENDITURES	<u>35,251,319</u>	<u>35,405,934</u>	<u>34,344,127</u>	<u>1,061,807</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,870,601)</u>	<u>(2,025,216)</u>	<u>(278,156)</u>	<u>1,747,060</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	420,020	420,020	420,020	-
OPERATING TRANSFERS OUT	-	-	(4,502)	(4,502)
TOTAL OTHER FINANCING SOURCES (USES)	<u>420,020</u>	<u>420,020</u>	<u>415,518</u>	<u>(4,502)</u>
NET CHANGE IN FUND BALANCE	(1,450,581)	(1,605,196)	137,362	1,742,558
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	<u>3,933,503</u>	<u>3,933,503</u>	<u>3,933,503</u>	<u>-</u>
BUDGETARY FUND BALANCE, END OF YEAR	<u>\$ 2,482,922</u>	<u>\$ 2,328,307</u>	<u>\$ 4,070,865</u>	<u>\$ 1,742,558</u>

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 JUNE 30, 2013**

	BUSINESS-TYPE ACTIVITIES
<u>ASSETS</u>	WATER ENTERPRISE FUND
CURRENT:	
CASH AND SHORT-TERM INVESTMENTS	\$ 1,549,039
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES	682,952
TOTAL CURRENT ASSETS	2,231,991
NONCURRENT:	
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	10,392,381
TOTAL ASSETS	12,624,372
<u>LIABILITIES</u>	
CURRENT:	
ACCOUNTS PAYABLE	35,312
ACCRUED INTEREST	8,069
BONDS AND NOTES PAYABLE	225,777
COMPENSATED ABSENCES	2,697
TOTAL CURRENT LIABILITIES	271,855
NONCURRENT:	
BONDS AND NOTES PAYABLE	2,907,316
COMPENSATED ABSENCES	7,624
OTHER POSTEMPLOYMENT BENEFITS	276,735
TOTAL NONCURRENT LIABILITIES	3,191,675
TOTAL LIABILITIES	3,463,530
<u>NET POSITION</u>	
NET INVESTMENT IN CAPITAL ASSETS	7,259,288
UNRESTRICTED	1,901,554
TOTAL NET POSITION	\$ 9,160,842

**TOWN OF WRENTHAM, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 FISCAL YEAR ENDED JUNE 30, 2013**

	BUSINESS-TYPE ACTIVITIES
	WATER ENTERPRISE FUND
<u>OPERATING REVENUES:</u>	
CHARGES FOR SERVICES	\$ 1,937,907
DEPARTMENTAL AND OTHER	55,996
TOTAL OPERATING REVENUES	1,993,903
<u>OPERATING EXPENSES:</u>	
GENERAL SERVICES	1,386,928
DEPRECIATION	427,798
TOTAL OPERATING EXPENSES	1,814,726
OPERATING INCOME (LOSS)	179,177
<u>NON-OPERATING REVENUES (EXPENSES):</u>	
INTERGOVERNMENTAL	110,558
INTEREST EXPENSE	(136,203)
TOTAL NON-OPERATING REVENUES (EXPENSES), NET (LOSS)	(25,645)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	153,532
<u>OPERATING TRANSFERS:</u>	
OPERATING TRANSFERS IN	4,502
CHANGE IN NET POSITION	158,034
NET POSITION AT BEGINNING OF YEAR	9,002,808
NET POSITION AT END OF YEAR	\$ 9,160,842

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FISCAL YEAR ENDED JUNE 30, 2013**

	BUSINESS-TYPE ACTIVITIES
	WATER ENTERPRISE FUND
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
RECEIPTS FROM CUSTOMERS AND USERS	\$ 2,045,549
PAYMENTS TO SUPPLIERS	(933,989)
PAYMENTS TO EMPLOYEES	(540,880)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	570,680
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
OPERATING TRANSFERS IN	4,502
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	4,502
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(183,967)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(131,791)
INTEREST EXPENSE	(62,840)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(378,598)
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	196,584
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	1,352,455
CASH AND SHORT TERM INVESTMENTS- END OF YEAR	\$ 1,549,039
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>	
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
OPERATING INCOME (LOSS)	\$ 179,177
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)	
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
DEPRECIATION	427,798
(INCREASE) DECREASE IN DEPOSITS	(6,575)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(87,476)
INCREASE (DECREASE) IN COMPENSATED ABSENCES	(465)
INCREASE (DECREASE) IN POSTEMPLOYMENT BENEFITS	58,221
TOTAL ADJUSTMENTS	391,503
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 570,680

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013**

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
CASH AND SHORT-TERM INVESTMENTS	<u>\$ 575,566</u>
<u>LIABILITIES</u>	
ACCOUNTS PAYABLE	15,298
OTHER LIABILITIES	<u>560,268</u>
TOTAL LIABILITIES	<u>575,566</u>
<u>NET POSITION</u>	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Wrentham, 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 following is a summary of the more significant Town accounting policies:

A. Reporting Entity

Primary Government

The Town is a municipal corporation that is governed by a five member Board of Selectmen (the Board). The Board is responsible for appointing a Town Administrator whose responsibility is to manage the day to day operations. 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, blended or discretely presented, 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. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. It has been determined that there are no component units (blended or discretely presented) for inclusion in the primary government’s financial reporting entity.

Joint Ventures

Municipal joint ventures pool resources to share the costs, risks and rewards of providing services to their participants, the general public or others. The Town is a participant in the following joint ventures:

Name	Purpose	Address	Annual Assessment
King Philip Regional School District	To provide secondary education	P.O. Box 49 201 Franklin St. Wrentham, Ma. 02093	\$ 7,871,427
Tri-County Regional Vocational-Technical High School	To provide vocational education	147 Pond Street Franklin, MA 02038	\$ 841,639

The King Philip Regional School District (the District) is governed by a nine (9)-member school committee consisting of two (2) elected representatives and one (1) representative appointed by the local school committee from the Town of Wrentham. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an equity interest of approximately 40.47% in the joint venture.

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

The Tri-County Regional Vocational-Technical High School (the District) is governed by a fourteen (14)-member school committee consisting of one (1) elected representative from the Town of Wrentham. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an equity interest of approximately 9% in the joint venture.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

A fund is considered major if it is the primary operating fund of the Town or it meets the following criteria:

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

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

Fiduciary funds are reported by fund type.

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

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

Government-Wide Financial Statements

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

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

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and the enterprise fund. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental 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 of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when due, and the non current portion of compensated absences, capital lease, and other postemployment benefits (**OPEB**) which are recognized when the obligations are expected to be liquidated with current expendable available resources.

In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

The Town considers property taxes as available if they are due and collected within 60 days after fiscal year-end. Licenses and permits, user charges, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received. Investment earnings are recorded as earned.

The Town reports the following major governmental funds:

- The *General fund* is the primary operating fund of the Town. It is used to account for all financial resources, except those that are required to be accounted for in another fund.
- The *Nonmajor Governmental funds* consist of other special revenue and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:
 - The *Special Revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
 - The *Permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary Fund Financial Statements

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

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

The following major proprietary fund is reported:

- The *Water Enterprise fund* is used to account for water activities.

Fiduciary Fund Financial Statements

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

The following fiduciary fund type is reported:

- The *Agency fund* is used to account for assets held in a purely custodial capacity.

TOWN OF WRENTHAM, MASSACHUSETTS
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Government-Wide and Fund Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide, proprietary fund, and fiduciary funds 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.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges. By law, all taxable property in the Commonwealth must be assessed at 100% of fair market value. Once levied, which is required to be at least 30 days prior to the due date, these taxes are recorded as receivables in the fiscal year of levy. Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation statute known as "Proposition 2 ½" limits the amount of increase in property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½ % of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year's levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2 ½ can be overridden by a Town-wide referendum.

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

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

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Motor Vehicle Excise

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

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

Water

User fees are levied semi-annually based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed in December of every year and included as a lien on the property owner's tax bill. Water charges and related liens are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables consist primarily of ambulance and septic receivables and are recorded as receivables in the fiscal year accrued. The allowance for uncollectibles for the ambulance receivables is estimated based on historical trends and specific account analysis.

Intergovernmental

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

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

F. Inventories

Government-Wide and Fund Financial Statements

Inventories of the governmental funds and the water enterprise fund are recorded as expenditures at the time of purchase. Such inventories are not material in total to the basic financial statements, and therefore are not reported.

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of four years or greater.

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

<u>Asset Class</u>	<u>Estimated Useful Life (in years)</u>
Buildings and Improvements	10-40
Capital improvements (other than buildings)	10-20
Machinery and equipment	5-10
Vehicles	5-15
Software	4
Plant in service	40
Infrastructure	20-40

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

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the fiscal year of purchase for the various funds.

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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.

J. Deferred Revenue

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

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

K. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position are classified into three components:

- a. *Net investment in capital assets* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Net position have been “restricted” for the following:

- *Streets* represent amounts committed by the Commonwealth of Massachusetts for the repair and/or construction of streets.
 - *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 specific purposes* represent restrictions placed on assets from outside parties.
- c. *Unrestricted net position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements (Fund Balances)

The Town uses the following criteria for fund balance classification:

- For *nonspendable* fund balance: includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- For *restricted* fund balance: when constraints placed on the use of the resources are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- For *committed* fund balance: (1) the government’s highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
- For *assigned* fund balance: (1) the body or official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which the authorization is given.

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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- For *unassigned* fund balance: is the residual classification for the general fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Town uses the following criteria for fund balance policies and procedures:

- When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the unrestricted amount will be considered to have been spent.
- When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the least restricted amount will be considered to have been spent.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

M. Investment Income

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

N. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay.

Government-Wide and Proprietary Fund Financial Statements

The total amount to be paid in future years is presented in the government-wide and proprietary fund statement of net position. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date (vesting method).

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Governmental Fund Financial Statements

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2013 is recorded in the governmental fund financial statement.

O. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health and life insurance coverage is provided for retired employees and their survivors in accordance with, Chapter 32B, of Massachusetts General Laws, under various contributory plans. The cost of providing health and life insurance is recognized by recording the employer's 75% or 50% share of insurance premiums, depending on the plan, in the general fund in the fiscal year paid. All benefits are provided through the West Suburban Health Group, which is a Massachusetts Municipal Health Insurance joint purchase group.

P. Use of Estimates

Government-Wide and Fund Financial Statements

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

Q. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Basis of Accounting

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the Town adopts an annual budget for the general fund. The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Town Administrator. The School Department budget is prepared under the direction of the School Committee. The level of expenditures may not legally exceed appropriations for each department or undertaking in the following categories: (1) salaries and wages; (2) ordinary maintenance; and (3) capital outlays.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. Carryover articles, not encumbrances, are included as part of the subsequent fiscal year's original budget.

Original and supplemental appropriations are enacted upon by a Town Meeting vote. Management may not amend the budget without seeking the approval of the governing body. The Town's Finance Committee can legally transfer funds from its reserve fund to other appropriations within the budget without seeking Town Meeting approvals. The original fiscal year 2013 approved budget authorized \$34,832,936 in current year appropriations and other amounts to be raised and \$418,383 in carryover articles carried over from previous fiscal years. Supplemental appropriations of \$154,615 were approved at one Town Meeting for fiscal year 2013.

The Town Accountant has the responsibility to ensure that budgetary controls are maintained and monitored through the accounting system.

B. Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2013, is presented below:

Net change in fund balance - budgetary basis	\$ 137,362
Basis of accounting differences:	
Net Stabilization fund activity	(6,890)
Adjustment for current year encumbrances	154,846
Increase in revenue for the MWPAT subsidy	14,965
Increase in expenditures for the MWPAT subsidy	(14,965)
Increase in revenue for on-behalf payments - MTRS	1,511,080
Increase in expenditures for on-behalf payments - MTRS	(1,511,080)
Adjustment for expenditures from prior year encumbrances	<u>(170,006)</u>
Net change in fund balance - GAAP basis	<u>\$ 115,312</u>

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

C. Deficit Fund Balances

Several individual fund deficits exist within the special revenue funds. These individual deficits will be eliminated through subsequent fiscal year budget transfers, grants or proceeds of long term debt during fiscal year 2014.

NOTE 3 – DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels unless collateralized by the financial institutions involved.

Deposits

- *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of bank failure, the Town’s deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the deposits “in a bank or trust company, or banking company to an amount not exceeding sixty percent (60%) of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess.”

The Town does not have a formal deposit policy for custodial credit risk.

The Town carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC), the Depositor’s Insurance Fund (DIF), and the Share Insurance Fund (SIF). The Town also carries deposits that are uninsured and uncollateralized.

The following table illustrates how much of the Town’s bank deposits are insured or collateralized, and how much of the Town’s bank deposits are uninsured and uncollateralized as of June 30, 2013:

Total bank balances		<u>\$ 9,496,456</u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	1,487,346	
Depositors Insurance Fund (DIF)	1,093,892	
Share Insurance Fund (SIF)	<u>2,060,679</u>	
Total bank balances covered by deposit insurance		4,641,917
Balances subject to custodial credit risk		
Bank balances uninsured & uncollateralized	<u>4,854,539</u>	
Total bank balances subject to custodial credit risk		<u>4,854,539</u>
Total bank balances		<u>\$ 9,496,456</u>

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

Investments

Investments can also 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, repurchase agreement guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns, and other state and local agencies within the Commonwealth. The Town's fair value of its investment in MMDT represents their value of the pool's shares. The Town's Trust Funds have expanded investment powers including the ability to invest in equity securities, corporate bonds, annuities and other specified investments.

The composition of the Town's bank recorded deposits and investments fluctuates depending primarily on the timing of property tax receipts, proceeds from borrowings, collections of state and federal aid, and capital outlays throughout the year.

- *Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). Presented below is the actual rating as of year-end for each investment type of the Town.

Investment type	Fair value	Minimum Legal Rating	AAA	Unrated
U.S. Government & Agency Securities	\$ 2,205,386	N/A	\$ 2,205,386	\$ -
Money Market Mutual Funds	290,937	N/A	-	290,937
Common stock	25,077	N/A	-	25,077
Total Investments	\$ 2,521,400		\$ 2,205,386	\$ 316,014

The Town has not adopted a formal policy related to credit risk.

- *Custodial Credit Risk*

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The Town has no custodial credit risk exposure related to the U.S. Government and Agency Securities, or the Common Stock because the related securities are registered in the name of the Town. The mutual fund investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

The Town does not have an investment policy for custodial credit risk.

- *Interest Rate Risk*

Interest rate risk is the risk of changes in market interest rates which will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk of its fair value to change with the market interest rates. 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.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

Investment type	Fair value	Investment maturities (in years)	
		Less than 1	1-5
<i>Debt Related Securities:</i>			
U.S. Government & Agency	\$ 2,205,386	\$ 300,472	\$ 1,904,914
<i>Other Investments:</i>			
Money Market Mutual Funds	290,937	290,937	-
Common Stock	25,077	25,077	-
Total Other Investments	316,014	316,014	-
Total Investments	<u>\$ 2,521,400</u>	<u>\$ 616,486</u>	<u>\$ 1,904,914</u>

- *Concentration of Credit Risk*

The Town places no limit on the amount the government may invest in any one issuer. The Town did not hold more than 5% of its investments in any one issuer.

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 – RECEIVABLES

The receivables at June 30, 2013 for the Town’s individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 363,599	\$ (28,800)	\$ 334,799
Tax liens	902,687	-	902,687
Motor vehicle excise taxes	146,728	(94,296)	52,432
Departmental and other	890,002	(525,000)	365,002
Intergovernmental	2,888,436	-	2,888,436
Total	\$ 5,191,452	\$ (648,096)	\$ 4,543,356

The Water Enterprise fund receivables as of June 30, 2013 consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
Water - User Fees	\$ 682,952	\$ -	\$ 682,952

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

Deferred Revenue Analysis			
Receivable Type:	General Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 173,028	\$ -	\$ 173,028
Tax Liens	902,687	-	902,687
Motor vehicle excise taxes	52,432	-	52,432
Departmental and other	1,228	363,774	365,002
Intergovernmental	1,776,146	608,046	2,384,192
Total	\$ 2,905,521	\$ 971,820	\$ 3,877,341

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,631,656	\$ -	\$ -	\$ 4,631,656
Construction in progress	393,200	577,877	(930,655)	40,422
Total capital assets not being depreciated	<u>5,024,856</u>	<u>577,877</u>	<u>(930,655)</u>	<u>4,672,078</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	34,298,202	-	-	34,298,202
Capital Improvements (other than buildings)	2,315,681	-	25,790	2,341,471
Machinery and equipment	1,307,586	177,788	(85,359)	1,400,015
Vehicles	3,275,136	841,416	(175,476)	3,941,076
Software	104,128	-	-	104,128
Infrastructure	11,437,915	-	904,865	12,342,780
Total capital assets being depreciated	<u>52,738,648</u>	<u>1,019,204</u>	<u>669,820</u>	<u>54,427,672</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(10,596,036)	(861,723)	-	(11,457,759)
Capital Improvements (other than buildings)	(747,247)	(99,986)	-	(847,233)
Machinery and equipment	(1,105,152)	(75,031)	85,359	(1,094,824)
Vehicles	(2,402,062)	(219,551)	175,476	(2,446,137)
Software	(96,294)	(7,834)	-	(104,128)
Infrastructure	(5,380,960)	(428,120)	-	(5,809,080)
Total accumulated depreciation	<u>(20,327,751)</u>	<u>(1,692,245)</u>	<u>260,835</u>	<u>(21,759,161)</u>
Total capital assets being depreciated, net	<u>32,410,897</u>	<u>(673,041)</u>	<u>930,655</u>	<u>32,668,511</u>
Total governmental activities capital assets, net	<u>\$ 37,435,753</u>	<u>\$ (95,164)</u>	<u>\$ -</u>	<u>\$ 37,340,589</u>

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 645,101	\$ -	\$ -	\$ 645,101
Total capital assets not being depreciated	645,101	-	-	645,101
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	104,000	-	-	104,000
Plant in service	7,385,403	-	-	7,385,403
Machinery & Equipment	32,502	116,831	-	149,333
Vehicles	278,517	14,960	-	293,477
Infrastructure	6,461,958	-	-	6,461,958
Total capital assets being depreciated	14,262,380	131,791	-	14,394,171
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(73,271)	(1,250)	-	(74,521)
Plant in service	(1,621,820)	(245,386)	-	(1,867,206)
Machinery & Equipment	(19,502)	(12,342)	-	(31,844)
Vehicles	(152,822)	(16,949)	-	(169,771)
Infrastructure	(2,351,678)	(151,871)	-	(2,503,549)
Total accumulated depreciation	(4,219,093)	(427,798)	-	(4,646,891)
Total capital assets being depreciated, net	10,043,287	(296,007)	-	9,747,280
Total business-type activities capital assets, net	<u>\$ 10,688,388</u>	<u>\$ (296,007)</u>	<u>\$ -</u>	<u>\$ 10,392,381</u>

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

Governmental Activities:	
General government	\$ 136,140
Public safety	445,107
Education	445,850
Public works	523,348
Human services	7,312
Culture and recreation	134,488
Total depreciation expense - governmental activities	<u>\$ 1,692,245</u>
Business-Type Activities:	
Water	<u>\$ 427,798</u>

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 – CAPITAL LEASE

The Town has entered into a lease agreement as lessee for financing the acquisition of a fire truck. The lease agreement qualifies as capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

	<u>Governmental Activities</u>
Asset:	
Vehicle	\$ 511,502
Less: Accumulated depreciation	<u>(10,230)</u>
	<u><u>\$ 501,272</u></u>

The future minimum lease obligation and the net present value of the minimum lease payment as of June 30, 2013, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2014	\$ 73,072
2015	\$ 73,071
2016	\$ 73,072
2017	\$ 73,072
2018	\$ 73,072
2019	<u>\$ 73,071</u>
Total minimum lease payment	438,430
Less: amount representing interest	<u>(28,986)</u>
Present value of minimum lease payment	<u><u>\$ 409,444</u></u>

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

<u>Operating Transfers Out:</u>	<u>Operating Transfers</u>		
	<u>General Fund</u>	<u>Water Enterprise Fund</u>	<u>Total</u>
Nonmajor Governmental Funds	\$ 420,020	\$ -	\$ 420,020 (1)
General Fund	-	4502	\$ 4,502 (1)
 Total	 <u>\$ 420,020</u>	 <u>\$ 4,502</u>	 <u>\$ 424,522</u>

1) Represents various budgeted transfers to supplement the operating budget.

NOTE 8 – SHORT -TERM FINANCING

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

- To fund current operations prior to the collection of revenues by issuing revenue anticipation notes (RANS).
- To fund grants prior to reimbursement by issuing grant anticipation notes (GANS).
- To fund Capital project costs incurred prior to selling permanent debt by issuing bond anticipation notes (BANS).
- To fund current projects costs and other approved expenditures incurred, that are anticipated to be reimbursed by the Commonwealth, through the issuance of State Aid anticipated notes (SAANS).

Short-term loans are general obligations of the Town and maturity dates are governed by statute.

The Town did not engage in any short term borrowing during fiscal year 2013.

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 9 – LONG-TERM DEBT

The Town is subject to a dual-level, general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth’s Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit however require the approval of the Commonwealth’s Emergency Finance Board. Additionally, there are many categories of general long-term debt which are exempt from the debt limit but are subject to other limitations.

The following is a summary of the changes in long-term debt for the year ended June 30, 2013:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Multi-Purpose	4.08	\$ 1,900,000	\$ -	\$ 310,000	\$ 1,590,000
Public Safety Building	3.11	3,420,000	-	570,000	2,850,000
Sewer Design / Water Quality Study	Var	32,912	-	32,912	-
Title V septage	Var	109,908	-	9,724	100,184
Multi-Purpose	3.60	2,820,000	-	355,000	2,465,000
Title V septage	-	94,453	-	6,747	87,706
Multi-Purpose	Var	2,405,000	-	220,000	2,185,000
Title V septage	-	52,053	-	3,253	48,800
Total		\$ 10,834,326	\$ -	\$ 1,507,636	\$ 9,326,690

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2013 are as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 1,474,972	\$ 354,469	\$ 1,829,441
2015	1,469,972	297,601	1,767,573
2016	1,449,972	239,866	1,689,838
2017	1,389,972	183,246	1,573,218
2018	1,314,972	130,522	1,445,494
2019-2023	1,755,322	207,284	1,962,606
2024-2028	471,508	26,426	497,934
Total	\$ 9,326,690	\$ 1,439,414	\$ 10,766,104

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

Bonds and Notes Payable Schedule - Water Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
MWPAT Water	Var	\$ 2,280,330	\$ -	\$ 157,708	\$ 2,122,622
MWPAT Water	-	53,626	-	3,155	50,471
Water Mains	3.47	1,020,000	-	60,000	960,000
Total		\$ 3,353,956	\$ -	\$ 220,863	\$ 3,133,093

The annual debt service requirements for principal and interest for water enterprise fund bonds and notes outstanding at June 30, 2013 are as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 225,777	\$ 127,957	\$ 353,734
2015	228,155	120,613	348,768
2016	233,155	111,603	344,758
2017	243,155	100,404	343,559
2018	248,155	87,385	335,540
2019-2023	1,325,772	259,744	1,585,516
2024-2028	515,770	54,725	570,495
2029-2030	113,154	6,600	119,754
Total	\$ 3,133,093	\$ 869,031	\$ 4,002,124

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Loans Authorized and Unissued

As of June 30, 2013, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Water Main - Elysium St	6/10/2013	\$ 1,500,000
Repave Elysium St	6/10/2013	200,000
Asbestos Removal - Schools	6/10/2013	270,000
Repave Bus Circle - Roderick School	6/10/2013	60,000
Sidewalks - Repair & Replace	6/10/2013	<u>270,000</u>
Total		<u><u>\$ 2,300,000</u></u>

Massachusetts School Building Authority Reimbursements

Chapter 645 of the Act of 1948 as amended (“Chapter 645”) created a statewide school building assistance program. Pursuant to this program, cities and towns issued bonds for eligible school building projects and were reimbursed over a period of years by the Commonwealth according to a statutory percentage for such city or town.

Legislation enacted as part of the Commonwealth’s Fiscal 2001 budget repealed 645 and created a new school building assistance program codified as Chapter 70B of the Massachusetts General Laws. Among other changes, the new program includes grants for alternatives to construction and calculates grants for each project based on a number of factors. The new legislation does not affect the reimbursement percentages for bonds previously issued under Chapter 645, and the grants for certain “grandfathered” projects will be based on the statutory percentages provided for in Chapter 645.

The Town has been approved for a 70% percent state school construction grant through the Massachusetts School Building Authority (MSBA) to cover eligible project costs, including debt service associated with the financing of these projects, subject to annual appropriation by the state legislature. The Town received \$292,570 from scheduled annual payments in FY2013 from the MSBA for completed school construction projects.

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2013:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 10,834,326	\$ -	\$ (1,507,636)	\$ 9,326,690	\$ 1,474,972
Capital leases	9,849	482,516	(82,921)	409,444	64,924
Compensated absences	156,969	-	(13,700)	143,269	113,124
Other postemployment benefits	8,487,209	2,261,363	-	10,748,572	-
Total governmental activities long-term liabilities	\$ 19,488,353	\$ 2,743,879	\$ (1,604,257)	\$ 20,627,975	\$ 1,653,020

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 3,353,956	\$ -	\$ (220,863)	\$ 3,133,093	\$ 225,777
Compensated absences	10,786	-	(465)	10,321	2,697
Other postemployment benefits	218,514	58,221	-	276,735	-
Total business-type activities long-term liabilities	\$ 3,583,256	\$ 58,221	\$ (221,328)	\$ 3,420,149	\$ 228,474

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

Overlapping Debt

The Town pays assessments under formulas which include debt service payments to other governmental agencies providing services to the Town, (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of such governmental agencies and the estimated share being financed by the Town as of June 30, 2013:

Agency	Total Long- Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
King Philip Regional School District Bonds	\$ 20,925,000	40.47%	\$ 8,468,348
Norfolk County Bonds	12,860,000	1.566%	201,388
	\$ 33,785,000		\$ 8,669,736

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 10 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town has classified its governmental fund balances with the following hierarchy.

	General Fund	Nonmajor Governmental Funds	Total
Fund Balances			
Nonspendable:			
Permanent Fund Principal	\$ -	\$ 224,463	\$ 224,463
Restricted For:			
General Government	-	221,254	221,254
Public Safety	-	744,704	744,704
Education	-	316,658	316,658
Public Works	-	2,215	2,215
Human Services	-	394,260	394,260
Culture & Recreation	-	270,527	270,527
Sweatt Fund	-	117,572	117,572
Expendable Trust Funds	-	135,653	135,653
	-	2,202,843	2,202,843
Committed To:			
Continuing Appropriations			
General Government	39,322	-	39,322
Public Works	36,954	-	36,954
	76,276	-	76,276
Assigned To:			
Encumbered For:			
General Government	16,477	-	16,477
Public Safety	11,860	-	11,860
Education	100,114	-	100,114
Public Works	26,000	-	26,000
Human Services	395	-	395
Capital Stabilization Fund	299,524	-	299,524
Reserved for subsequent years expenditures	974,945	-	974,945
	1,429,315	-	1,429,315
Unassigned			
General Fund	2,805,813	-	2,805,813
General Stabilization Fund	1,650,683	-	1,650,683
Nonmajor Governmental Funds			
Public Safety	-	(34,241)	(34,241)
Education	-	(10,324)	(10,324)
Public Works	-	(19,265)	(19,265)
	4,456,496	(63,830)	4,392,666
Total Governmental Fund Balances	\$ 5,962,087	\$ 2,363,476	\$ 8,325,563

NOTE 11 – STABILIZATION FUNDS

The Town has established two funds where the town has set aside amounts for emergency and capital needs. These funds consist of the following;

- *The Stabilization Fund* is used to account for any appropriation, as approved by a 2/3 vote at the annual or special town meeting for additions or reductions to the fund. Any interest shall be added to and become part of the fund. The Stabilization fund balance is \$1,650,683 as of June 30, 2013. The fund was established under chapter 40, sub-section 5B of the Massachusetts General Law.

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

- *The Capital Improvements Stabilization Fund* is used to account for appropriations funding the acquisition, repair, replacement, extension, reconstruction, enlarging and/or additions to capital equipment, vehicles, and apparatus of the Town and pay notes, bonds, or certificates of indebtedness issued to pay for the cost of such acquisition, repair, replacement, extension, reconstruction, enlarging and additions. The Capital Improvements Stabilization fund balance is \$299,524 as of June 30, 2013. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established under Chapter 40 sub-section 5B of MGL.

NOTE 12 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters.

Buildings are fully insured against fire, theft, and natural disaster (except for losses due to flood or earthquake) to the extent that losses exceed \$5,000 per incident. Buildings are fully insured against flood and earthquake damage, to the extent that losses exceed \$25,000 per incident.

The Town's workers compensation program is premium-based. The policy is limited to Massachusetts Statutory Benefits.

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2012.

The Town is a member of the West Suburban Health Group, which is a Massachusetts Municipal Health Insurance joint purchase group. The group includes thirteen Towns, one school district, and two educational collaboratives as participants. The group offers a variety of self-funded health plans. Specifically, the group has the following self-insured plans: Blue Cross Blue Shield of MA (BCBSMA) Network Blue New England Exclusive Provider Organization (EPO) plan and Medex 3 with OBRA90 benefits, Fallon Health & Life Assurance Company's Select Care and Direct Care EPOs; Harvard Pilgrim Health Care (HPHC) EPO plan, HPHC Preferred Provider Organization (PPO) plan, and HPHC Medicare Enhance; Tufts Health Plan EPO plan and Tufts Point of Service (POS) plan.

The group offers the following health plans on a fully insured basis: BCBSMA Managed Blue for Seniors, Fallon Senior Plan, Tufts Medicare Prim Supplement, and Tufts Medicare Preferred HMO.

As of June 30, 2013, the West Suburban Health Group had \$26,082,848 in assets and \$8,058,909 in liabilities. The net position were \$18,023,939.

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires the following disclosures with regard to the retiree medical, dental, and life insurance benefits:

Plan Description. Town of Wrentham Postemployment Welfare Benefit Plan (**WPWBP**) is a single-employer defined benefit healthcare plan administered by the Town of Wrentham. **WPRWBP** provides medical, dental and life insurance benefits to eligible retirees and their spouses. Town meeting vote is the authority to establish and amend benefit provisions to the Town. The Town has accepted various sections of Massachusetts General laws Chapter 32B to provide ½ of the premium cost of retirees’ health and life insurance costs.

Funding Policy. The contribution requirements of plan members and the Town are established and may be amended by local by-law. The required contribution is based on projected pay-as-you-go financing requirements. For Fiscal Year 2013, the estimated total Town premiums plus implicit costs for the retiree medical program are \$1,016,773.

Annual OPEB Cost and Net OPEB Obligation. The Town’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town’s annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation to the plan:

Annual required contribution	\$ 3,284,066
Interest on net OPEB obligation	348,229
Adjustment to annual required contribution (ARC)	<u>(295,938)</u>
Annual OPEB cost (expense)	3,336,357
Contributions made	<u>(1,016,773)</u>
Increase in net OPEB obligation	2,319,584
Net OPEB obligation - beginning of year	<u>8,705,723</u>
Net OPEB obligation - end of year	<u>\$ 11,025,307</u>

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Increase in OPEB Obligation	Net OPEB Obligation
6/30/2009	\$ 2,798,395	25.55%	\$ 2,083,395	\$ 2,083,395
6/30/2010	\$ 3,123,436	29.98%	\$ 2,187,047	\$ 4,270,442
6/30/2011	\$ 2,996,700	27.47%	\$ 2,173,596	\$ 6,444,038
6/30/2012	\$ 3,162,983	28.50%	\$ 2,261,685	\$ 8,705,723
6/30/2013	\$ 3,336,357	30.48%	\$ 2,319,584	\$ 11,025,307

Funded Status and Funding Progress. As of June 30, 2011, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$48.398 million, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$48.398 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.852 million, and the ratio of the UAAL to the covered payroll was 491.2%.

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

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

In the June 30, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, the normal cost and actuarial liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ration of past service to total service. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.50% percent graded down to 5.00% over seven years. Both rates included a 4.0% inflation assumption. The actuarial value of assets was determined using market value. The UAAL is being amortized as a level dollar amount over 30 years at transition. The remaining amortization period at July 1, 2013, was 25 years.

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 14 – PENSION PLANS

A. Plan Descriptions

The Town contributes to the Norfolk County Contributory Retirement System (the “System”), a cost sharing, multiple-employer, defined benefit pension plan administered by the Norfolk County Retirement Board. Substantially, all employees are members of the “System” except for public school teachers and certain school administrators who are members of the Massachusetts Teachers’ Retirement System (MTRS) to which the Town does not contribute.

The “System” and the MTRS are contributory defined benefit plans and membership in both the “System” and the MTRS is mandatory upon commencement of employment for all permanent, full-time employees. The “System” and the MTRS provide 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, and grant cost-of-living increases, to the State legislature. The “System” issues a publicly available financial report, which can be obtained through the Commonwealth of Massachusetts, Public Employee Retirement Administration Commission (“PERAC”), One Ashburton Place, Boston, Massachusetts 02108.

B. Funding Policies

Norfolk County Contributory Retirement System

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 remaining system-wide, actuarially determined, contribution plus administration costs, which are apportioned among the employers, based on active covered payroll. The Commonwealth of Massachusetts reimburses the “system” for a portion of the benefit payments for the cost of living increases. The contributions to the “System” for years ended June 30, 2013, 2012, and 2011 were \$1,130,497, \$1,077,118, and \$1,090,564, respectively, which were equal to its required contributions for each of these years.

Massachusetts Teachers’ Retirement System

Plan members (at varying rates of annual covered compensation) and the Commonwealth of Massachusetts fund contributions to the MTRS. The Commonwealth of Massachusetts contributed “on-behalf” payments to the MTRS totaling \$1,511,080 for fiscal year 2013. In accordance with GASB Statement No. 24, these “on-behalf” payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2013, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is believed the amount, if any, would not be material.

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2013.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2013, the following GASB pronouncements were implemented:

The GASB issued **Statement #60**, *Accounting and Financial Reporting for Service Concession Arrangements*, was implemented in fiscal year 2013. Management believes that this pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #61**, *The Financial Reporting Entity: Omnibus*, was implemented in fiscal year 2013. Management believes that this pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #62**, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was implemented in fiscal year 2013. Management believes that this pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #63**, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was implemented in fiscal year 2013. Management believes that this pronouncement requires no additional disclosure and will not impact the basic financial statements.

Future GASB Pronouncements:

The GASB issued **Statement #65**, *Items previously reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #66**, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2014. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #67**, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2014. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #68**, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
NORFOLK COUNTY REGIONAL RETIREMENT SYSTEM
JUNE 30, 2013**

The following schedules are presented in accordance with GASB Statement No. 27:

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
1/1/2012	\$ 608,235,096	\$ 1,128,960,288	\$ 520,725,192	53.9%	\$229,095,409	227.3%
1/1/2010	600,790,835	1,001,881,055	401,090,220	60.0%	223,332,595	179.6%
1/1/2008	596,157,147	907,719,124	311,561,977	65.7%	223,814,977	139.2%
1/1/2007	533,077,948	855,677,413	322,599,465	62.3%	219,620,865	146.9%
1/1/2005	467,186,566	762,900,650	295,714,084	61.2%	196,639,163	150.4%
1/1/2003	415,150,776	675,275,257	260,124,481	61.5%	185,281,985	140.4%
1/1/2000	371,646,793	533,959,970	162,313,177	69.6%	163,542,978	99.2%
1/1/1997	258,771,070	392,463,080	133,692,010	65.9%	126,219,194	105.9%
1/1/1993	151,546,609	291,472,940	139,926,331	52.0%	107,482,975	130.2%

Schedule of Employer Contributions

Fiscal Year Ended June 30	System Wide			Town of Wrentham	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2013	\$ 44,800,000	\$ 44,800,000	100%	\$ 1,130,497	2.52%
2012	42,714,639	42,714,639	100%	1,077,118	2.52%
2011	41,206,587	41,206,587	100%	1,090,564	2.65%
2010	39,749,857	39,749,857	100%	1,052,467	2.65%
2009	38,920,499	38,920,499	100%	1,043,212	2.68%
2008	33,104,903	33,104,903	100%	941,915	2.85%
2007	32,877,890	32,877,890	100%	917,355	2.79%
2006	31,755,708	31,755,708	100%	750,160	2.36%
2005	28,238,996	28,238,996	100%	647,883	2.29%

**TOWN OF WRENTHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2013**

The following schedules are presented in accordance with GASB Statement No. 45:

Schedules of Funding Progress and Employer Contributions

Projected Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
6/30/2007	\$ -	\$ 42,163,940	\$ 42,163,940	0.0%	\$ 13,140,873	320.9%
6/30/2011	\$ -	\$ 48,398,057	\$ 48,398,057	0.0%	\$ 9,852,372	491.2%

Schedule of Employer Contributions:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed*	Increase in OPEB Obligation	Net OPEB Obligation
6/30/2009	\$ 2,798,395	25.55%	\$ 2,083,395	\$ 2,083,395
6/30/2010	\$ 3,123,436	29.98%	\$ 2,187,047	\$ 4,270,442
6/30/2011	\$ 2,996,700	27.47%	\$ 2,173,596	\$ 6,444,038
6/30/2012	\$ 3,162,983	28.50%	\$ 2,261,685	\$ 8,705,723
6/30/2013	\$ 3,336,357	30.48%	\$ 2,319,584	\$ 11,025,307

* Based on expected premium payments.

The required information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2011
Discount Rate	4.00%
Medical Trend	8.5% grading down .5% per year to 5% in seven years
Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level dollar amount over 30 years at transition
Remaining Amortization Period	25
Mortality	RP-2000 Table for males RP-2000 Table for females

**TOWN OF WRENTHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2013**

Plan Membeship:

Current retirees, beneficiaries, and dependents	132
Current active members	<u>184</u>
	<u><u>316</u></u>