

TOWN OF WRENTHAM, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2014

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INDEPENDENT AUDITOR'S 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, 2014, and the related notes to the financial statements, which collectively comprise the Town of Wrentham, Massachusetts'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 these 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. 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 disclosures 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, 2014, and the respective changes in financial position and, where applicable cash flows thereof 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 post-employment benefits – schedules of funding progress and employer contributions on pages 3-15, 58 and 59 – 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

R. E. Brown & Company

March 10, 2015

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, 2014. 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 assets of the Town exceeded the combined total liabilities by \$38.1 million, an increase of \$0.1 million or 0.3 % more than the Town's net position for the previous fiscal year. A total of \$34.1 million or 89.6% of this sum represents the Town's net investment in capital assets.

Reaching a balance of \$2.2 million by the end of FY2014 the Town's stabilization fund increased \$284,186. The stabilization fund has increased just under 30% since FY2011.

Total revenue for the year for all funds was \$40.6 million; \$ 0.3 million or 0.8% more than the total revenue for the fiscal year ended June 30, 2013.

	Fiscal Year Ended June 30, 2014	%	Fiscal Year Ended June 30, 2013	%
	Total	Total	Total	Total
Property Taxes	\$ 27,461,034	67.56%	\$ 26,138,654	64.85%
Motor Vehicle Excise Taxes	1,814,219	4.46%	1,457,235	3.62%
Penalties and Interest	131,840	0.32%	146,817	0.36%
Payments in Lieu of Taxes	10,507	0.03%	8,531	0.02%
Charges for Services	4,237,979	10.43%	4,266,778	10.59%
Operating Grants and Contributions	5,228,795	12.86%	6,520,293	16.18%
Capital Grants and Contributions	531,635	1.31%	534,083	1.33%
Nonrestricted Grants and Contributions	1,175,293	2.89%	1,170,956	2.91%
Unrestricted Investments and Other	52,743	0.13%	63,062	0.16%
Total Revenue	\$ 40,644,045	100.00%	\$ 40,306,409	100.00%

Total expenditures for the year for all funds was \$40.6 million; \$1.2 million or 2.8% less than the total expenditures for the fiscal year ended June 30, 2013.

	Fiscal Year Ended		Fiscal Year Ended	
	June 30, 2014	% Total	June 30, 2013	% Total
General government	\$ 1,382,035	3.41%	\$ 1,334,809	3.20%
Public safety	5,209,734	12.84%	4,755,260	11.40%
Education	21,060,822	51.92%	20,402,344	48.89%
Public works	3,003,960	7.41%	2,861,875	6.86%
Human services	380,561	0.94%	360,289	0.86%
Culture and recreation	893,279	2.20%	757,894	1.82%
Employee benefits	6,115,632	15.08%	8,537,968	20.46%
State and county assessments	360,650	0.89%	321,200	0.77%
Interest	346,417	0.85%	446,471	1.07%
Water	1,807,403	4.46%	1,950,929	4.68%
Total expenditures	<u>\$ 40,560,493</u>	<u>100.00%</u>	<u>\$ 41,729,039</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, *Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual* 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.

The Water Enterprise Fund is the Town's only fund of this type.

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, 2014 was \$38.1 million, of which the governmental activities were \$28.6 million and the business-type activities were \$9.5 million.

The largest portion of the Town's net position (89.6%) 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, 17.1% are subject to external restrictions on how they may be used.

The following table of *Comparative Net Position*, indicates a slight decline in the level of net investment in capital assets for FY2014 as compared to FY2013. Governmental activities' capital assets (net of related debt) decreased by just under \$0.6 million while business type activities' capital assets declined less than \$0.2 million.

Comparative Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>
Assets:						
Current assets	\$ 14,686,937	\$ 12,399,460	\$ 4,262,971	\$ 2,231,991	\$ 18,949,908	\$ 14,631,451
Noncurrent assets (excluding capital)	1,191,006	1,483,576	-	-	1,191,006	1,483,576
Capital assets	36,070,349	37,340,589	10,127,697	10,392,381	46,198,046	47,732,970
Total assets	<u>51,948,292</u>	<u>51,223,625</u>	<u>14,390,668</u>	<u>12,624,372</u>	<u>66,338,960</u>	<u>63,847,997</u>
Liabilities:						
Current liabilities (excluding debt)	1,699,402	1,931,277	185,154	46,078	1,884,556	1,977,355
Noncurrent liabilities (excluding debt)	12,961,514	11,123,237	332,641	284,359	13,294,155	11,407,596
Current debt	1,544,972	1,474,972	303,155	225,777	1,848,127	1,700,749
Noncurrent debt	7,106,746	7,851,718	4,104,161	2,907,316	11,210,907	10,759,034
Total liabilities	<u>23,312,634</u>	<u>22,381,204</u>	<u>4,925,111</u>	<u>3,463,530</u>	<u>28,237,745</u>	<u>25,844,734</u>
Net Position:						
Net Investment in Capital Assets	27,047,147	27,604,455	7,096,537	7,259,288	34,143,684	34,863,743
Restricted	6,524,205	4,904,718	-	-	6,524,205	4,904,718
Unrestricted (Deficit)	(4,935,694)	(3,666,752)	2,369,020	1,901,554	(2,566,674)	(1,765,198)
Total net position	<u>\$ 28,635,658</u>	<u>\$ 28,842,421</u>	<u>\$ 9,465,557</u>	<u>\$ 9,160,842</u>	<u>\$ 38,101,215</u>	<u>\$ 38,003,263</u>

Total current assets within the governmental activities were \$14.7 million and included cash & investments of \$11.2 million and receivables net of allowances of \$3.5 million. Non-current assets within the governmental activities were \$37.3 million and included a \$1.2 million long term receivable for School Building Assistance.

Total current liabilities within the governmental activities were \$3.2 million and included accounts payable of \$1.4 million and bonds and notes payable of \$1.5 million Noncurrent liabilities within the governmental activities were \$20.0 million and included \$12.6 million in postemployment benefits liability and \$7.1 million of general obligation bonds payable.

Total current assets within the business-type activities were \$4.3 million and included cash & investments of \$3.6 million and receivables of \$0.7 million.

Current liabilities within the business-type activities were \$0.5 million and included \$0.3 million of bonds and notes payable. Noncurrent liabilities within the business-type activities were \$4.4 million and included \$0.3 million in postemployment benefits liability and \$4.1 million of general obligation bonds payable.

Governmental activities current assets have increased by 18.5% as compared with FY2013 while business-type activity (water) current assets increased by 91.0%.

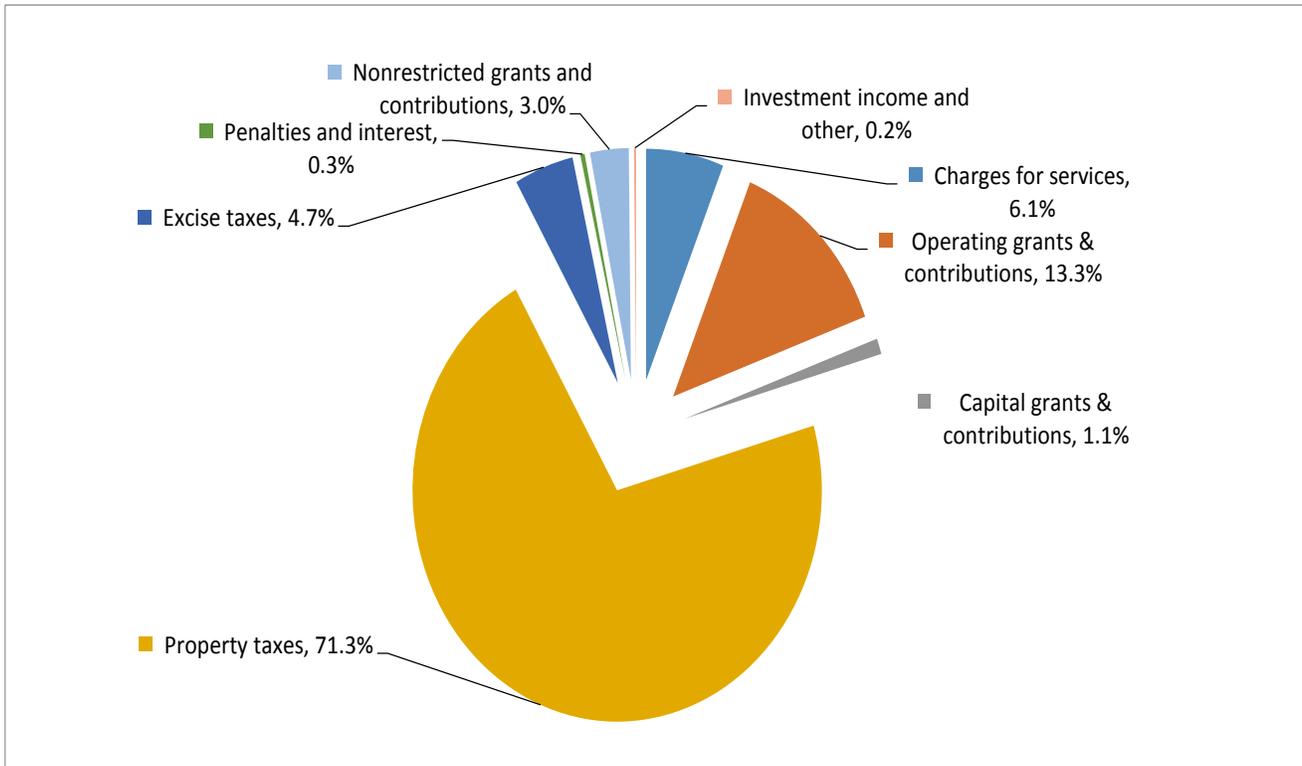
Governmental activities current liabilities' decreased by \$0.2 million and non-current liabilities increased \$1.1 million. Business-type activity (water) current liabilities increased \$0.2 million while non-current liabilities increased \$1.2 million.

Governmental activities decreased the Town of Wrentham's net position by \$0.2 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 2014	FY 2013	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 2,366,630	\$ 2,328,871	\$ 37,759
Operating grants and contributions	5,108,158	6,464,297	(1,356,139)
Capital grants and contributions	423,760	423,525	235
<i>General Revenues:</i>			
Real Estate and personal property taxes	27,461,034	26,138,654	1,322,380
Motor vehicle and other excise taxes	1,814,219	1,457,235	356,984
Penalties and interest	131,840	146,817	(14,977)
Payments in lieu of taxes	10,507	8,531	1,976
Nonrestricted grants and contributions	1,175,293	1,170,956	4,337
Unrestricted investment income & other	52,743	63,062	(10,319)
Total Revenues	38,544,184	38,201,948	342,236
Expenses:			
General Government	1,382,035	1,334,809	47,226
Public Safety	5,209,734	4,755,260	454,474
Education	21,060,822	20,402,344	658,478
Public Works	3,003,960	2,861,875	142,085
Human Services	380,561	360,289	20,272
Culture and Recreation	893,279	757,894	135,385
Employee Benefits	6,115,632	8,537,968	(2,422,336)
State and County Assessments	360,650	321,200	39,450
Interest	346,417	446,471	(100,054)
Total Expenses	38,753,090	39,778,110	(1,025,020)
Increase/(Decrease) in Net Position before Contributions to Term and Permanent Endowments or Permanent Fund Principal, and Transfers	(208,906)	(1,576,162)	1,367,256
Contribution to Permanent Funds	14,400	11,700	2,700
Transfers	(12,257)	(4,502)	(7,755)
Change in Net Position	(206,763)	(1,568,964)	1,362,201
Net Position - beginning	28,842,421	30,411,385	
Net Position - ending	\$ 28,635,658	\$ 28,842,421	

Governmental Activities –FY2014 Revenues



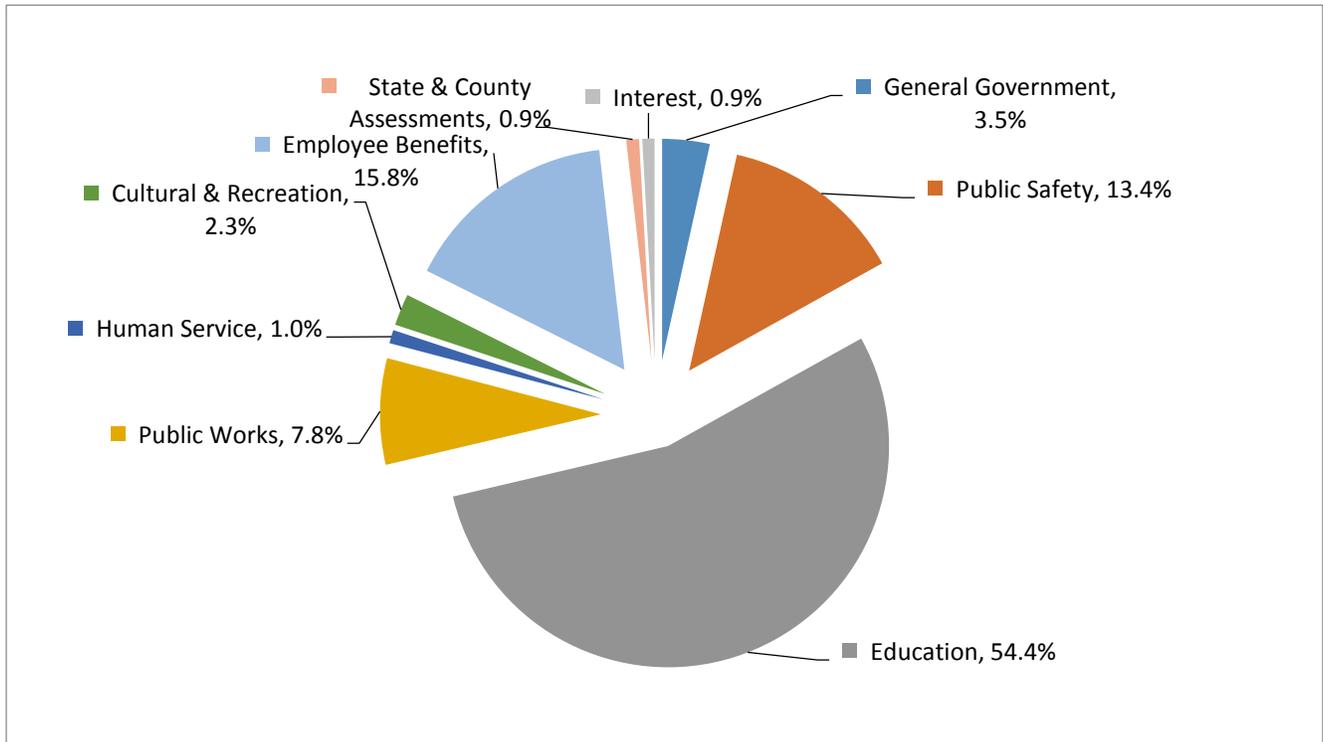
Revenues

Property taxes support 71.3% of the Town's governmental activities. When compared to the prior year's distribution, the percentage of total for Property taxes increased 2.9% while Operating grants & contributions decreased 3.6%. The remaining revenue categories showed an insignificant change if any at all. This continues the pressure to raise property tax revenue to the statutory maximum allowed.

Just over 86% of the operating grants and contributions apply to education operations. Approximately 38% and 32% 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 FY2013, 100% of capital grants and contributions apply to public works.

Governmental Activities – FY2014 Expenses



Expenses

Attributing for 54.4% of the total expenditures, education remains the largest governmental activity of the Town. Just under \$15.9 million in taxes and other revenues were needed to cover the FY2014 operating expenses for education.

Employee benefits and public safety continue to represent the second and third largest governmental activities of the Town. Approximately \$5.9 million and \$4.1 million of taxes and other revenues were needed to cover the FY2014 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 decreased 2.6% in comparison to FY2013. Significant expenditure reductions were achieved in both employee benefits and interest expense during FY2014.

Business-Type Activities

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

Business-type activities net position increased by \$304,715. 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

	Business-type Activities		Increase/ (Decrease)
	FY 2014	FY 2013	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 1,871,349	\$ 1,937,907	\$ (66,558)
Operating grants and contributions	120,637	55,996	64,641
Capital grants and contributions	107,875	110,558	(2,683)
Total Revenues	<u>2,099,861</u>	<u>2,104,461</u>	<u>(4,600)</u>
Expenses:			
Water	<u>1,807,403</u>	<u>1,950,929</u>	<u>(143,526)</u>
Excess/(deficiency) in revenues over/(under) expenses	<u>292,458</u>	<u>153,532</u>	<u>138,926</u>
Transfers	<u>12,257</u>	<u>4,502</u>	<u>7,755</u>
Change in Net Position	<u>304,715</u>	<u>158,034</u>	<u>146,681</u>
Net Position - beginning	<u>9,160,842</u>	<u>9,002,808</u>	
Net Position - ending	<u>\$ 9,465,557</u>	<u>\$ 9,160,842</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 \$10.3 million, an increase of \$1.9 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 \$5,167,138 while total fund balance was \$6,952,686. 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 \$9.5 million; \$7.1 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 \$190,134 to the final budget of approximately \$36.2 million. Additional funds were primarily needed for public works expenditures.

Revenues exceeded budgetary amounts by \$1,176,131 and expenditures were less than budgetary amounts by \$1,267,679. The greatest budgetary savings was seen in employee benefits. Favorable revenue types include motor vehicle excise and property taxes. 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, 2014 amount to \$46,198,046 (net of accumulated depreciation). This investment includes land, buildings, improvements other than buildings, construction in progress, vehicles, machinery and equipment, software, and infrastructure.

Capital Assets			
(Net of Accumulated Depreciation)			
Governmental activities	FY 2014	FY 2013	Increase/ (Decrease)
General Government	\$ 7,043,039	\$ 7,116,997	\$ (73,958)
Public Safety	8,644,334	8,827,402	(183,068)
Education	10,534,617	10,933,211	(398,594)
Public Works	6,584,567	7,066,314	(481,747)
Human Services	133,656	142,128	(8,472)
Culture & Recreation	3,130,136	3,254,537	(124,401)
Total by function	36,070,349	37,340,589	(1,270,240)
Business-type activities			
Water	10,127,697	10,392,381	(264,684)
Grand Total	\$ 46,198,046	\$ 47,732,970	\$ (1,534,924)

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 \$13,059,034. 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.

The Town issued \$1,500,000 in General Obligation Water Bonds for a water main replacement project and \$800,000 in General Obligation Bonds for mixed maintenance projects during FY2014.

Outstanding Debt at Year End

Governmental Activities	Outstanding June 30, 2014	Outstanding June 30, 2013
School Buildings	\$ 3,455,000	\$ 3,580,000
Municipal Buildings	3,780,000	4,655,000
Land Acquisition	730,000	855,000
Other	686,718	236,690
Total Governmental Activities	\$ 8,651,718	\$ 9,326,690
Business-type Activities		
Water Mains/Improvements	\$ 4,407,316	\$ 3,133,093

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. Residential property growth has been slow but steady. The Town has 150 acres of prime developable land near the Wrentham Outlet Mall which accommodates approximately 13 million visitors per year. The neighboring Town of Plainville recently won approval for a slot parlor. The Town has taken a proactive position on attracting hotel development. The Town is positioned to take advantage of recovering conditions and development opportunities are well documented by the Economic Development Committee. 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.

At a Special Town Election held on November 4, 2014 the Town accepted Chapter 116 of the Acts of 2014; establishing a Charter for the Town of Wrentham. This Charter will codify the structure, authorities and processes to help ensure operational consistency going forward. It also affirms the Town’s right to conduct local government in accordance with the Commonwealth’s Home Rule Amendments, in a way that is responsive to and consistent with local concerns and needs. The Charter is intended to be the keystone for modernizing and implementing consistent policies and procedures across the Town’s boards and departments to significantly improve the effectiveness and efficiency of municipal operations.

The Town has a balanced budget for FY2015 and remains diligent in its efforts to balance the FY2016 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, 2014**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 8,376,235	\$ 3,542,180	\$ 11,918,415
INVESTMENTS	2,821,717	-	2,821,717
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	290,874	-	290,874
TAX LIENS	975,008	-	975,008
MOTOR VEHICLE EXCISE TAXES	180,796	-	180,796
USER FEES	-	720,791	720,791
DEPARTMENTAL AND OTHER	391,269	-	391,269
INTERGOVERNMENTAL	1,651,038	-	1,651,038
NONCURRENT:			
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
INTERGOVERNMENTAL	1,191,006	-	1,191,006
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	36,070,349	10,127,697	46,198,046
TOTAL ASSETS	51,948,292	14,390,668	66,338,960
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	1,412,326	173,206	1,585,532
OTHER LIABILITIES	30,196	-	30,196
ACCRUED INTEREST	65,045	11,084	76,129
CAPITAL LEASE PAYABLE	79,273	-	79,273
BONDS AND NOTES PAYABLE	1,544,972	303,155	1,848,127
COMPENSATED ABSENCES	112,562	864	113,426
NONCURRENT:			
CAPITAL LEASE PAYABLE	292,211	-	292,211
BONDS AND NOTES PAYABLE	7,106,746	4,104,161	11,210,907
COMPENSATED ABSENCES	27,625	5,770	33,395
POSTEMPLOYMENT BENEFITS	12,641,678	326,871	12,968,549
TOTAL LIABILITIES	23,312,634	4,925,111	28,237,745
<u>NET POSITION</u>			
NET INVESTMENT IN CAPITAL ASSETS	27,047,147	7,096,537	34,143,684
RESTRICTED FOR:			
STREETS	1,019,372	-	1,019,372
PERMANENT FUNDS:			
EXPENDABLE	136,330	-	136,330
NONEXPENDABLE	238,863	-	238,863
OTHER PURPOSES	5,129,640	-	5,129,640
UNRESTRICTED	(4,935,694)	2,369,020	(2,566,674)
TOTAL NET POSITION	\$ 28,635,658	\$ 9,465,557	\$ 38,101,215

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014**

<u>FUNCTIONS/PROGRAMS</u>	PROGRAM REVENUES				NET (EXPENSE) REVENUE
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 1,382,035	\$ 168,662	\$ 271,739	\$ -	\$ (941,634)
PUBLIC SAFETY	5,209,734	901,480	168,640	-	(4,139,614)
EDUCATION	21,060,822	751,735	4,410,164	-	(15,898,923)
PUBLIC WORKS	3,003,960	118,817	5,429	423,760	(2,455,954)
HUMAN SERVICES	380,561	(11,530)	164,526	-	(227,565)
CULTURE & RECREATION	893,279	213,601	87,522	-	(592,156)
EMPLOYEE BENEFITS	6,115,632	223,865	138	-	(5,891,629)
STATE & COUNTY ASSESSMENTS	360,650	-	-	-	(360,650)
INTEREST	346,417	-	-	-	(346,417)
TOTAL GOVERNMENTAL ACTIVITIES	38,753,090	2,366,630	5,108,158	423,760	(30,854,542)
BUSINESS-TYPE ACTIVITIES:					
WATER	1,807,403	1,871,349	120,637	107,875	292,458
TOTAL PRIMARY GOVERNMENT	\$ 40,560,493	\$ 4,237,979	\$ 5,228,795	\$ 531,635	\$ (30,562,084)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF WRENTHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET POSITION:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (30,854,542)	\$ 292,458	\$ (30,562,084)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	27,267,766	-	27,267,766
TAX LIENS	193,268	-	193,268
MOTOR VEHICL EXCISE TAXES	1,814,219	-	1,814,219
PENALTIES AND INTEREST ON TAXES	131,840	-	131,840
PAYMENTS IN LIEU OF TAXES	10,507	-	10,507
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,175,293	-	1,175,293
UNRESTRICTED INVESTMENT INCOME	31,454	-	31,454
CONTRIBUTIONS TO PERMANENT FUNDS	14,400	-	14,400
MISCELLANEOUS	21,289	-	21,289
TRANSFERS, NET	(12,257)	12,257	-
TOTAL GENERAL REVENUES AND TRANSFERS	30,647,779	12,257	30,660,036
CHANGE IN NET POSITION	(206,763)	304,715	97,952
NET POSITION:			
BEGINNING OF YEAR	28,842,421	9,160,842	38,003,263
END OF YEAR	\$ 28,635,658	\$ 9,465,557	\$ 38,101,215

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF WRENTHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014**

ASSETS	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 5,908,915	\$ 2,467,320	\$ 8,376,235
INVESTMENTS	2,234,393	587,324	2,821,717
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	290,874	-	290,874
TAX LIENS	975,008	-	975,008
MOTOR VEHICLE EXCISE TAXES	180,796	-	180,796
DEPARTMENTAL AND OTHER	250	391,019	391,269
INTERGOVERNMENTAL	1,498,894	1,343,150	2,842,044
TOTAL ASSETS	\$ 11,089,130	\$ 4,788,813	\$ 15,877,943
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
LIABILITIES:			
ACCOUNTS PAYABLE	\$ 1,353,445	\$ 58,881	\$ 1,412,326
OTHER LIABILITIES	30,196	-	30,196
TOTAL LIABILITIES	1,383,641	58,881	1,442,522
DEFERRED INFLOWS OF RESOURCES:			
DEFERRED PROPERTY TAXES	2,752,553	-	2,752,553
DEFERRED INTERGOVERNMENTAL REVENUE	-	1,019,372	1,019,372
DEFERRED OTHER REVENUE	250	391,019	391,269
TOTAL DEFERRED INFLOWS OF RESOURCES	2,752,803	1,410,391	4,163,194
FUND BALANCES:			
NONSPENDABLE	-	238,863	238,863
RESTRICTED	-	3,089,403	3,089,403
COMMITTED	244,784	-	244,784
ASSIGNED	1,540,764	-	1,540,764
UNASSIGNED	5,167,138	(8,725)	5,158,413
TOTAL FUND BALANCES	6,952,686	3,319,541	10,272,227
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 11,089,130	\$ 4,788,813	\$ 15,877,943

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, 2014**

	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 27,448,567	\$ -	\$ 27,448,567
MOTOR VEHICLE EXCISE TAXES	1,681,434	-	1,681,434
PENALTIES AND INTEREST ON TAXES	132,818	-	132,818
INTERGOVERNMENTAL CHARGES FOR SERVICES	5,102,102	919,423	6,021,525
INVESTMENT INCOME	-	1,639,453	1,639,453
CONTRIBUTIONS & DONATIONS	31,454	6,968	38,422
DEPARTMENTAL AND OTHER	-	120,094	120,094
	1,152,192	38,226	1,190,418
TOTAL REVENUES	35,548,567	2,724,164	38,272,731
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	1,264,599	43,478	1,308,077
PUBLIC SAFETY	4,829,997	276,403	5,106,400
EDUCATION	19,187,021	1,475,207	20,662,228
PUBLIC WORKS	2,517,014	5,199	2,522,213
HUMAN SERVICES	330,524	41,565	372,089
CULTURE & RECREATION	421,554	347,324	768,878
EMPLOYEE BENEFITS	4,225,608	-	4,225,608
STATE & COUNTY ASSESSMENTS	360,650	-	360,650
DEBT SERVICE			
PRINCIPAL	1,474,972	-	1,474,972
INTEREST	354,469	-	354,469
TOTAL EXPENDITURES	34,966,408	2,189,176	37,155,584
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	582,159	534,988	1,117,147
OTHER FINANCING SOURCES (USES)			
PROCEEDS FROM BONDS AND NOTES	-	800,000	800,000
PROCEEDS FROM CAPITAL LEASE	-	41,774	41,774
OPERATING TRANSFERS IN	420,697	-	420,697
OPERATING TRANSFERS OUT	(12,257)	(420,697)	(432,954)
TOTAL OTHER FINANCING SOURCES (USES)	408,440	421,077	829,517
NET CHANGE IN FUND BALANCES	990,599	956,065	1,946,664
FUND BALANCES AT BEGINNING OF YEAR	5,962,087	2,363,476	8,325,563
FUND BALANCES AT END OF YEAR	\$ 6,952,686	\$ 3,319,541	\$ 10,272,227

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, 2014**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 10,272,227
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		36,070,349
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		4,163,194
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(65,045)
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	(8,651,718)	
CAPITAL LEASE PAYABLE	(371,484)	
OTHER POSTEMPLOYMENT BENEFITS (OPEB)	(12,641,678)	
COMPENSATED ABSENCES	<u>(140,187)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(21,805,067)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 28,635,658</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, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 1,946,664
<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	399,844	
DEPRECIATION EXPENSE	<u>(1,670,084)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		(1,270,240)
<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>		
		285,853
<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 BONDS AND NOTES	(800,000)	
PROCEEDS FROM CAPITAL LEASE	(41,774)	
CAPITAL LEASE PAYMENTS	79,734	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>1,474,972</u>	
NET EFFECT OF REPORTING LONG-TERM DEBT		712,932
<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	(1,893,106)	
NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	3,082	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>8,052</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		(1,881,972)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ (206,763)</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, 2014**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE OVER(UNDER)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
REVENUES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 27,069,961	\$ 27,069,961	\$ 27,448,567	\$ 378,606
MOTOR VEHICLE EXCISE TAXES	1,200,000	1,200,000	1,681,434	481,434
PENALTIES & INTEREST ON TAXES	80,000	80,000	132,818	52,818
INTERGOVERNMENTAL	5,016,671	5,016,671	5,097,304	80,633
INVESTMENT INCOME	10,000	10,000	22,268	12,268
DEPARTMENTAL AND OTHER	981,820	981,820	1,152,192	170,372
TOTAL REVENUES	<u>34,358,452</u>	<u>34,358,452</u>	<u>35,534,583</u>	<u>1,176,131</u>
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	1,743,173	1,580,926	1,283,158	297,768
PUBLIC SAFETY	4,855,850	4,933,418	4,822,489	110,929
EDUCATION	19,215,493	19,215,493	19,122,475	93,018
PUBLIC WORKS	2,407,137	2,678,064	2,547,520	130,544
HUMAN SERVICES	357,039	358,584	330,444	28,140
CULTURE & RECREATION	458,076	460,417	421,554	38,863
EMPLOYEE BENEFITS	4,786,574	4,786,574	4,225,608	560,966
STATE & COUNTY ASSESSMENTS	349,971	349,971	360,650	(10,679)
DEBT SERVICE:				
PRINCIPAL	1,474,972	1,474,972	1,474,972	-
INTEREST	367,801	367,801	349,671	18,130
TOTAL EXPENDITURES	<u>36,016,086</u>	<u>36,206,220</u>	<u>34,938,541</u>	<u>1,267,679</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,657,634)</u>	<u>(1,847,768)</u>	<u>596,042</u>	<u>2,443,810</u>
OTHER FINANCING SOURCES (USES):				
OPERATING TRANSFERS IN	410,099	410,099	420,697	10,598
OPERATING TRANSFERS OUT	(12,257)	(12,257)	(12,257)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>397,842</u>	<u>397,842</u>	<u>408,440</u>	<u>10,598</u>
NET CHANGE IN FUND BALANCE	<u>(1,259,792)</u>	<u>(1,449,926)</u>	<u>1,004,482</u>	<u>2,454,408</u>
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	<u>3,855,705</u>	<u>3,855,705</u>	<u>3,855,705</u>	<u>-</u>
BUDGETARY FUND BALANCE, END OF YEAR	<u>\$ 2,595,913</u>	<u>\$ 2,405,779</u>	<u>\$ 4,860,187</u>	<u>\$ 2,454,408</u>

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 JUNE 30, 2014**

	BUSINESS-TYPE ACTIVITIES
<u>ASSETS</u>	WATER ENTERPRISE FUND
CURRENT:	
CASH AND SHORT-TERM INVESTMENTS	\$ 3,542,180
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES	720,791
TOTAL CURRENT ASSETS	4,262,971
NONCURRENT:	
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	10,127,697
TOTAL ASSETS	14,390,668
 <u>LIABILITIES</u>	
CURRENT:	
ACCOUNTS PAYABLE	173,206
ACCRUED INTEREST	11,084
BONDS AND NOTES PAYABLE	303,155
COMPENSATED ABSENCES	864
TOTAL CURRENT LIABILITIES	488,309
NONCURRENT:	
BONDS AND NOTES PAYABLE	4,104,161
COMPENSATED ABSENCES	5,770
OTHER POSTEMPLOYMENT BENEFITS	326,871
TOTAL NONCURRENT LIABILITIES	4,436,802
TOTAL LIABILITIES	4,925,111
 <u>NET POSITION</u>	
NET INVESTMENT IN CAPITAL ASSETS	7,096,537
UNRESTRICTED	2,369,020
TOTAL NET POSITION	\$ 9,465,557

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 FISCAL YEAR ENDED JUNE 30, 2014**

	BUSINESS-TYPE ACTIVITIES
	WATER ENTERPRISE FUND
<u>OPERATING REVENUES:</u>	
CHARGES FOR SERVICES	\$ 1,871,349
DEPARTMENTAL AND OTHER	88,031
TOTAL OPERATING REVENUES	1,959,380
<u>OPERATING EXPENSES:</u>	
GENERAL SERVICES	1,241,459
DEPRECIATION	434,972
TOTAL OPERATING EXPENSES	1,676,431
OPERATING INCOME (LOSS)	282,949
<u>NON-OPERATING REVENUES (EXPENSES):</u>	
INTERGOVERNMENTAL	107,875
INTEREST INCOME	32,606
INTEREST EXPENSE	(130,972)
TOTAL NON-OPERATING REVENUES (EXPENSES), NET (LOSS)	9,509
INCOME (LOSS) BEFORE OPERATING TRANSFERS	292,458
<u>OPERATING TRANSFERS:</u>	
OPERATING TRANSFERS IN	12,257
CHANGE IN NET POSITION	304,715
NET POSITION AT BEGINNING OF YEAR	9,160,842
NET POSITION AT END OF YEAR	\$ 9,465,557

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FISCAL YEAR ENDED JUNE 30, 2014**

	BUSINESS-TYPE ACTIVITIES
	WATER ENTERPRISE FUND
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
RECEIPTS FROM CUSTOMERS AND USERS	\$ 1,971,676
PAYMENTS TO SUPPLIERS	(645,877)
PAYMENTS TO EMPLOYEES	(461,375)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	864,424
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
OPERATING TRANSFERS IN	12,257
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	1,500,000
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(185,865)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(170,288)
INTEREST EXPENSE	(59,993)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	1,083,854
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
NET PROCEEDS FROM PURCHASE AND SALE OF INVESTMENT SECURITIES	32,606
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	1,993,141
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	1,549,039
CASH AND SHORT TERM INVESTMENTS- END OF YEAR	\$ 3,542,180
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
OPERATING INCOME (LOSS)	\$ 282,949
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
DEPRECIATION	434,972
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(37,839)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	137,894
INCREASE (DECREASE) IN COMPENSATED ABSENCES	(3,687)
INCREASE (DECREASE) IN POSTEMPLOYMENT BENEFITS	50,135
TOTAL ADJUSTMENTS	581,475
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 864,424

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014**

	AGENCY FUNDS
<u>ASSETS</u>	
CASH AND SHORT-TERM INVESTMENTS	\$ 670,643
<u>LIABILITIES</u>	
ACCOUNTS PAYABLE	240,263
OTHER LIABILITIES	430,380
TOTAL LIABILITIES	670,643
<u>NET POSITION</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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	\$ 8,422,891
Tri-County Regional Vocational-Technical High School	To provide vocational education	147 Pond Street Franklin, MA 02038	\$ 715,303

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 40.90% in the joint venture.

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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
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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
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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, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:
 - The *Special Revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
 - The *Capital Projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and trust funds).

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.

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

Motor Vehicle 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
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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
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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 Inflows of Resources

Although certain revenues are measurable, they are not available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay liabilities of the current period. Deferred inflows of resources at the fund level, represents the amount of assets that have been recognized, but the related revenue has not been recognized since it is not available. Deferred inflows of resources at the fund level consists of the succeeding year property tax revenue, Intergovernmental revenue, and other revenue not collected within sixty days after year-end.

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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
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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
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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, 2014 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, 2014**

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 \$35,939,810 in current year appropriations and other amounts to be raised and \$76,276 in carryover articles carried over from previous fiscal years. Supplemental appropriations of \$190,134 were approved at one Town Meeting for fiscal year 2014.

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, 2014, is presented below:

Net change in fund balance - budgetary basis	\$ 1,004,482
Basis of accounting differences:	
Net Stabilization fund activity	9,187
Adjustment for current year encumbrances	150,540
Increase in revenue for the MWPAT subsidy	4,798
Increase in expenditures for the MWPAT subsidy	(4,798)
Increase in revenue for on-behalf payments - MTRS	1,549,671
Increase in expenditures for on-behalf payments - MTRS	(1,549,671)
Adjustment for expenditures from prior year encumbrances	<u>(173,610)</u>
Net change in fund balance - GAAP basis	<u>\$ 990,599</u>

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 2015.

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, and how much of the Town’s bank deposits are uninsured and uncollateralized as of June 30, 2014:

Total bank balances	<u>\$ 13,175,694</u>
Bank balances covered by deposit insurance	
Federal Deposit Insurance Corporation (FDIC)	1,856,159
Depositors Insurance Fund (DIF)	3,468,403
Share Insurance Fund (SIF)	<u>1,922,831</u>
Total bank balances covered by deposit insurance	7,247,393
Balances subject to custodial credit risk	
Bank balances uninsured & uncollateralized	<u>5,928,301</u>
Total bank balances subject to custodial credit risk	<u>5,928,301</u>
Total bank balances	<u>\$ 13,175,694</u>

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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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	Rating as of Year End	
			AAA	Unrated
U.S. Government & Agency Securities	\$ 2,384,490	N/A	\$ 2,384,490	\$ -
Money Market Mutual Funds	353,117	N/A	-	353,117
Fixed Income Mutual Fund	54,138	N/A	-	54,138
Common stock	29,972	N/A	-	29,972
Total Investments	\$ 2,821,717		\$ 2,384,490	\$ 437,227

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
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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>			
Fixed Income Mutual	\$ 54,138	\$ 54,138	\$ -
U.S. Government & Agency	2,384,490	902,374	1,482,116
Total - Debt related securities	<u>\$ 2,438,628</u>	<u>\$ 956,512</u>	<u>\$ 1,482,116</u>
<i>Other Investments:</i>			
Money Market Mutual Funds	353,117	353,117	-
Common Stock	29,972	29,972	-
Total Other Investments	<u>383,089</u>	<u>383,089</u>	<u>-</u>
Total Investments	<u>\$ 2,821,717</u>	<u>\$ 1,339,601</u>	<u>\$ 1,482,116</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, 2014

NOTE 4 – RECEIVABLES

The receivables at June 30, 2014 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	\$ 319,174	\$ (28,300)	\$ 290,874
Tax liens	975,008	-	975,008
Motor vehicle excise taxes	276,996	(96,200)	180,796
Departmental and other	991,269	(600,000)	391,269
Intergovernmental	2,842,044	-	2,842,044
Total	\$ 5,404,491	\$ (724,500)	\$ 4,679,991

The Water Enterprise fund receivables as of June 30, 2014 consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
Water - User Fees	\$ 720,791	\$ -	\$ 720,791

Governmental funds report deferred inflows of resources 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 inflows of resources reported in the governmental funds were as follows:

Deferred Inflows of Resources Analysis			
Deferred Inflows	General Fund	Nonmajor Governmental Funds	Total
Deferred property taxes	\$ 1,268,977	\$ -	\$ 1,268,977
Deferred other revenue	250	391,019	391,269
Deferred intergovernmental revenue	1,483,576	1,019,372	2,502,948
Total	\$ 2,752,803	\$ 1,410,391	\$ 4,163,194

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, 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	40,422	136,592	-	177,014
Total capital assets not being depreciated	<u>4,672,078</u>	<u>136,592</u>	<u>-</u>	<u>4,808,670</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	34,298,202	-	-	34,298,202
Capital Improvements (other than buildings)	2,341,471	-	-	2,341,471
Machinery and equipment	1,400,015	38,305	-	1,438,320
Vehicles	3,941,076	145,826	(72,373)	4,014,529
Software	104,128	79,121	-	183,249
Infrastructure	12,342,780	-	-	12,342,780
Total capital assets being depreciated	<u>54,427,672</u>	<u>263,252</u>	<u>(72,373)</u>	<u>54,618,551</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(11,457,759)	(854,754)	-	(12,312,513)
Capital Improvements (other than buildings)	(847,233)	(77,165)	-	(924,398)
Machinery and equipment	(1,094,824)	(71,313)	-	(1,166,137)
Vehicles	(2,446,137)	(206,221)	72,373	(2,579,985)
Software	(104,128)	(9,890)	-	(114,018)
Infrastructure	(5,809,080)	(450,741)	-	(6,259,821)
Total accumulated depreciation	<u>(21,759,161)</u>	<u>(1,670,084)</u>	<u>72,373</u>	<u>(23,356,872)</u>
Total capital assets being depreciated, net	<u>32,668,511</u>	<u>(1,406,832)</u>	<u>-</u>	<u>31,261,679</u>
Total governmental activities capital assets, net	<u>\$ 37,340,589</u>	<u>\$ (1,270,240)</u>	<u>\$ -</u>	<u>\$ 36,070,349</u>

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 645,101	\$ -	\$ -	\$ 645,101
Land	645,101	170,288	-	815,389
Total capital assets not being depreciated	645,101	170,288	-	815,389
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	104,000	-	-	104,000
Plant in service	7,385,403	-	-	7,385,403
Machinery & Equipment	149,333	-	-	149,333
Vehicles	293,477	-	-	293,477
Infrastructure	6,461,958	-	-	6,461,958
Total capital assets being depreciated	14,394,171	-	-	14,394,171
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(74,521)	(1,250)	-	(75,771)
Plant in service	(1,867,206)	(242,636)	-	(2,109,842)
Machinery & Equipment	(31,844)	(18,183)	-	(50,027)
Vehicles	(169,771)	(16,474)	-	(186,245)
Infrastructure	(2,503,549)	(156,429)	-	(2,659,978)
Total accumulated depreciation	(4,646,891)	(434,972)	-	(5,081,863)
Total capital assets being depreciated, net	9,747,280	(434,972)	-	9,312,308
Total business-type activities capital assets, net	<u>\$ 10,392,381</u>	<u>\$ (264,684)</u>	<u>\$ -</u>	<u>\$ 10,127,697</u>

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

Governmental Activities:	
General government	\$ 153,079
Public safety	409,438
Education	446,267
Public works	520,052
Human services	8,472
Culture and recreation	132,776
Total depreciation expense - governmental activities	<u>\$ 1,670,084</u>
Business-Type Activities:	
Water	<u>\$ 434,972</u>

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 – CAPITAL LEASES

The Town has entered into two lease agreements as lessee for financing the acquisitions of a fire truck and a Ford Expedition. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follows:

	Governmental Activities
Assets:	
Vehicles	\$ 555,932
Less: Accumulated depreciation	(38,095)
	\$ 517,837

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2014, are as follows:

Year Ending June 30	Governmental Activities
2015	\$ 87,882
2016	\$ 87,882
2017	\$ 73,072
2018	\$ 73,072
2019	\$ 73,071
Total minimum lease payments	394,979
Less: amount representing interest	(23,495)
Present value of minimum lease payments	\$ 371,484

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2014, are summarized as follows:

<u>Operating Transfers Out:</u>	<u>Operating Transfers</u>		
	General Fund	Water Enterprise Fund	Total
Nonmajor Governmental Funds	\$ 420,697	\$ -	\$ 420,697 (1)
General Fund	-	12,257	\$ 12,257 (1)
 Total	 <u>\$ 420,697</u>	 <u>\$ 12,257</u>	 <u>\$ 432,954</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 2014.

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Multi-Purpose	4.08	\$ 1,590,000	\$ -	\$ 310,000	\$ 1,280,000
Public Safety Building	3.11	2,850,000	-	570,000	2,280,000
Title V septage	Var	100,184	-	9,972	90,212
Multi-Purpose	3.60	2,465,000	-	355,000	2,110,000
Title V septage	-	87,706	-	6,747	80,959
Multi-Purpose	Var	2,185,000	-	220,000	1,965,000
Title V septage	-	48,800	-	3,253	45,547
Multi-Purpose	2.50	-	800,000	-	800,000
Total		<u>\$ 9,326,690</u>	<u>\$ 800,000</u>	<u>\$ 1,474,972</u>	<u>\$ 8,651,718</u>

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2014 are as follows:

Fiscal Year	Principal	Interest	Total
2015	\$ 1,544,972	\$ 316,797	\$ 1,861,769
2016	1,524,972	258,166	1,783,138
2017	1,459,972	200,046	1,660,018
2018	1,384,972	145,922	1,530,894
2019	809,972	92,775	902,747
2020-2024	1,485,350	189,790	1,675,140
2025-2029	441,508	22,995	464,503
Total	<u>\$ 8,651,718</u>	<u>\$ 1,226,491</u>	<u>\$ 9,878,209</u>

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

Bonds and Notes Payable Schedule - Water Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
MWPAT Water	Var	\$ 2,122,622	\$ -	\$ 162,622	\$ 1,960,000
MWPAT Water	-	50,471	-	3,155	47,316
Water Mains	3.47	960,000	-	60,000	900,000
Water Mains	3.5	-	1,500,000	-	1,500,000
Total		\$ 3,133,093	\$ 1,500,000	\$ 225,777	\$ 4,407,316

The annual debt service requirements for principal and interest for water enterprise fund bonds and notes outstanding at June 30, 2014 are as follows:

Fiscal Year	Principal	Interest	Total
2015	\$ 303,155	\$ 161,694	\$ 464,849
2016	308,155	152,479	460,634
2017	318,155	139,778	457,933
2018	323,155	125,260	448,415
2019	328,155	111,061	439,216
2020-2024	1,730,771	355,058	2,085,829
2025-2029	665,770	143,375	809,145
2030-2034	430,000	41,575	471,575
Total	\$ 4,407,316	\$ 1,230,280	\$ 5,637,596

Loans Authorized and Unissued

As of June 30, 2014, the Town has no loans authorized and unissued.

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.

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 FY2014 from the MSBA for completed school construction projects.

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2014:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds and notes payable	\$ 9,326,690	\$ 800,000	\$ (1,474,972)	\$ 8,651,718	\$ 1,544,972
Capital leases	409,444	41,774	(79,734)	371,484	79,273
Compensated absences	143,269	-	(3,082)	140,187	112,562
Other postemployment benefits	<u>10,748,572</u>	<u>1,893,106</u>	<u>-</u>	<u>12,641,678</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 20,627,975</u>	<u>\$ 2,734,880</u>	<u>\$ (1,557,788)</u>	<u>\$ 21,805,067</u>	<u>\$ 1,736,807</u>

<u>Business-Type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds and notes payable	\$ 3,133,093	\$ 1,500,000	\$ (225,777)	\$ 4,407,316	\$ 303,155
Compensated absences	10,321	-	(3,687)	6,634	864
Other postemployment benefits	<u>276,735</u>	<u>50,136</u>	<u>-</u>	<u>326,871</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 3,420,149</u>	<u>\$ 1,550,136</u>	<u>\$ (229,464)</u>	<u>\$ 4,740,821</u>	<u>\$ 304,019</u>

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

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014:

<u>Agency</u>	<u>Total Long- Term Debt Outstanding</u>	<u>Town's Estimated Share</u>	<u>Town's Indirect Debt</u>
King Philip Regional School District Bonds	\$ 19,300,000	40.90%	\$ 7,893,700
Norfolk County Bonds	<u>12,625,000</u>	1.584%	<u>199,980</u>
	<u>\$ 31,925,000</u>		<u>\$ 8,669,736</u>

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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	\$ -	\$ 238,863	\$ 238,863
Restricted For:			
General Government	-	162,974	162,974
Public Safety	-	687,980	687,980
Education	-	859,542	859,542
Public Works	-	531,911	531,911
Human Services	-	395,798	395,798
Culture & Recreation	-	239,083	239,083
Sweatt Fund	-	75,785	75,785
Expendable Trust Funds	-	136,330	136,330
	-	3,089,403	3,089,403
Committed To:			
Continuing Appropriations			
General Government	182,999	-	182,999
Public Safety	26,334	-	26,334
Public Works	13,451	-	13,451
Human Services	22,000	-	22,000
	244,784	-	244,784
Assigned To:			
Encumbered For:			
General Government	30,249	-	30,249
Public Safety	4,352	-	4,352
Education	59,698	-	59,698
Public Works	55,956	-	55,956
Human Services	285	-	285
Capital Stabilization Fund	575,394	-	575,394
Reserved for subsequent years expenditures	814,830	-	814,830
	1,540,764	-	1,540,764
Unassigned			
General Fund	3,508,139	-	3,508,139
General Stabilization Fund	1,658,999	-	1,658,999
Nonmajor Governmental Funds			
Public Safety	-	(1,894)	(1,894)
Public Works	-	(6,831)	(6,831)
	5,167,138	(8,725)	5,158,413
Total Governmental Fund Balances	\$ 6,952,686	\$ 3,319,541	\$ 10,272,227

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 \$1,658,999 as of June 30, 2014. The fund was established under chapter 40, sub-section 5B of the Massachusetts General Law.
- *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 \$575,394 as of June 30, 2014. 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 2014.

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.

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

As of June 30, 2014, the West Suburban Health Group had \$22,377,317 in assets and \$12,818,986 in liabilities. The net position were \$9,558,331.

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 2014, the estimated total Town premiums plus implicit costs for the retiree medical program are \$827,448.

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	\$ 2,704,466
Interest on net OPEB obligation	441,012
Adjustment to annual required contribution (ARC)	<u>(374,788)</u>
Annual OPEB cost (expense)	2,770,690
Contributions made	<u>(827,448)</u>
Increase in net OPEB obligation	1,943,242
Net OPEB obligation - beginning of year	<u>11,025,307</u>
Net OPEB obligation - end of year	<u><u>\$ 12,968,549</u></u>

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the five preceding years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Increase in</u> <u>OPEB Obligation</u>	<u>Net OPEB</u> <u>Obligation</u>
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
6/30/2014	\$ 2,770,690	29.82%	\$ 1,943,242	\$ 12,968,549

Funded Status and Funding Progress. As of June 30, 2013, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$34.469 million, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$34.469 million. The covered payroll (annual payroll of active employees covered by the plan) was \$13.987 million, and the ratio of the UAAL to the covered payroll was 246.4%.

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, 2013, 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 7.50% percent graded down to 5.00% over five 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, 2014, was 24 years.

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014, 2013, and 2012 were \$1,177,374, \$1,130,497, and \$1,077,118, 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 \$1,549,671 for fiscal year 2014. 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. However the Town is not subject to the provisions of the Single Audit Act Amendments of 1996, since the Town did not expend more than \$500,000 of federal awards during the period ended June 30, 2014. These programs may still be subject to financial and compliance audits. Accordingly, the amount 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, 2014

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, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2014, the following GASB pronouncements were implemented:

The GASB issued **Statement #65**, *Items previously reported as Assets and Liabilities*, was implemented in fiscal year 2014. This pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #66**, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, was implemented in fiscal year 2014. This pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #67**, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*, was implemented in fiscal year 2014. This pronouncement requires no additional disclosure and will not impact the basic financial statements.

Future GASB Pronouncements:

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.

The GASB issued **Statement #69**, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #70**, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #71**, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, 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, 2014**

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]
1/1/2014	\$ 696,682,779	\$ 1,247,596,772	\$ 550,913,993	55.8%	\$246,722,941	223.3%
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
2014	\$ 42,461,369	\$ 42,461,369	100%	\$ 1,177,374	2.77%
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, 2014**

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%
6/30/2013	\$ -	\$ 34,468,792	\$ 34,468,792	0.0%	\$ 13,987,250	246.4%

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
6/30/2014	\$ 2,770,690	29.82%	\$ 1,943,242	\$ 12,968,549

* 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, 2013
Discount Rate	4.00%
Medical Trend	7.5% grading down .5% per year to 5% in five years
Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level dollar amount over 30 years at transition
Remaining Amortization Period	24
Mortality	RP-2000 Table for males RP-2000 Table for females

**TOWN OF WRENTHAM, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2014**

Plan Membeship:

Current retirees, beneficiaries, and dependents	137
Current active members	<u>182</u>
	<u><u>319</u></u>