

TOWN OF WRENTHAM, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Wrentham, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wrentham, Massachusetts as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Wrentham, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wrentham, Massachusetts, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in **Note 14** to the financial statements, the Town of Wrentham, Massachusetts adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2012, on our consideration of the Town of Wrentham, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages **3** through **14**, and other post employment benefits information: schedules of funding progress and employer contributions on pages **56** through **57** are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

R. E. Brown & Company

June 25, 2012

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, 2011. 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 \$40.2 million, a decrease of \$1.4 million or 3.3 % less than the combined net assets for the previous fiscal year. A total of \$32.7 million or 81.2% of this sum represents the Town's investment in capital assets. A total of \$2.5 million or 6.1% of net assets is legally restricted for specific future uses by the Town and \$5.1 million or 12.7% is unrestricted for future use.

Net assets for governmental activities of the Town decreased by \$1.5 million while net assets for the one business-type activity (Water) increased by \$0.1 million.

Total revenue for the year for all funds was \$38.4 million - \$ 1.0 million or 2.6% more than the total revenue for the fiscal year ended June 30, 2010.

Comparative Net Assets						
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Assets:						
Current assets	\$ 12,334,975	\$ 12,067,328	\$ 1,889,163	\$ 1,574,996	\$ 14,224,138	\$ 13,642,324
Noncurrent assets	40,072,708	41,373,987	11,023,727	11,460,577	51,096,435	52,834,564
Total assets	52,407,683	53,441,315	12,912,890	13,035,573	65,320,573	66,476,888
Liabilities:						
Current liabilities	3,974,693	3,765,478	451,759	479,769	4,426,452	4,245,247
Noncurrent liabilities	17,158,175	16,934,703	3,523,769	3,710,179	20,681,944	20,644,882
Total liabilities	21,132,868	20,700,181	3,975,528	4,189,948	25,108,396	24,890,129
Net Assets:						
Invested in capital assets	25,348,171	24,569,494	7,318,470	7,403,947	32,666,641	31,973,441
Restricted	2,463,138	4,505,963	-	-	2,463,138	4,505,963
Unrestricted	3,463,506	3,665,677	1,618,892	1,441,678	5,082,398	5,107,355
Total net assets	\$ 31,274,815	\$ 32,741,134	\$ 8,937,362	\$ 8,845,625	\$ 40,212,177	\$ 41,586,759

Total expenditures for the year for all funds was \$39.8 million - \$1.8 million or 4.8% more than the total expenditures for the fiscal year ended June 30, 2010.

	Fiscal Year Ended June 30, 2011	% Total	Fiscal Year Ended June 30, 2010	% Total
General government	\$ 1,312,898	3.30%	\$ 1,220,597	3.21%
Public safety	4,606,385	11.56%	4,222,525	11.10%
Education	18,870,221	47.36%	18,048,314	47.46%
Public works	2,990,750	7.51%	2,750,161	7.23%
Human services	471,779	1.18%	677,384	1.78%
Culture and recreation	764,829	1.92%	804,444	2.12%
Employee benefits	7,935,533	19.92%	7,754,184	20.39%
State and county assessments	339,743	0.85%	343,112	0.90%
Interest	530,577	1.33%	602,071	1.58%
Water	2,021,416	5.07%	1,602,833	4.22%
Total expenditures	<u>\$ 39,844,131</u>	<u>100.00%</u>	<u>\$ 38,025,625</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 Assets – Presents all of the government’s assets and liabilities, with the difference being reported as “net assets”. The amount of net assets is widely considered a good measure of the Town’s financial health. Over time increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported for some items that will not result in cash flows until future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave).

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

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

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

Fund Financial Statements

Traditional readers of government financial statements will find the fund financial statement presentation to be most familiar. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Wrentham, like most other local governments, uses a fund accounting system to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories:

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

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

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

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

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

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

Notes to Basic Financial Statements

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

Government-Wide Financial Analysis

Statement of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. The Town's total net assets as of June 30, 2011 were \$40.2 million, of which the governmental activities were \$31.3 million and the business-type activities were \$8.9 million.

The largest portion of the Town's net assets (81.2%) 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.

A modest amount of the Town's net assets (6.1%) are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (12.7%) may be used to meet the government's ongoing obligations to citizens and creditors.

Total current assets within the governmental activities were \$12.3 million and included cash & investments of \$9.1 million and receivables net of allowances of \$3.2 million.

Total current liabilities within the governmental activities were \$4.0 million and included accounts payable of \$1.8 million and bonds and notes payable of \$1.8 million.

Noncurrent liabilities within the governmental activities were \$17.2 million and included \$10.8 million of general obligation bonds payable and \$6.3 million in postemployment benefits liability.

Total current assets within the business-type activities were \$1.9 million and included cash & investments of \$1.2 million and receivables of \$0.7 million.

Current liabilities within the business-type activities were \$0.5 million and included \$0.4 million of bonds and notes payable. Noncurrent liabilities within the business-type activities included \$3.4 million of general obligation bonds payable.

Comparative Net Assets						
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
Assets:						
Current assets	\$ 12,334,975	\$ 12,067,328	\$ 1,889,163	\$ 1,574,996	\$ 14,224,138	\$ 13,642,324
Noncurrent assets	40,072,708	41,373,987	11,023,727	11,460,577	51,096,435	52,834,564
Total assets	52,407,683	53,441,315	12,912,890	13,035,573	65,320,573	66,476,888
Liabilities:						
Current liabilities	3,974,693	3,765,478	451,759	479,769	4,426,452	4,245,247
Noncurrent liabilities	17,158,175	16,934,703	3,523,769	3,710,179	20,681,944	20,644,882
Total liabilities	21,132,868	20,700,181	3,975,528	4,189,948	25,108,396	24,890,129
Net Assets:						
Invested in capital assets	25,348,171	24,569,494	7,318,470	7,403,947	32,666,641	31,973,441
Restricted	2,463,138	4,505,963	-	-	2,463,138	4,505,963
Unrestricted	3,463,506	3,665,677	1,618,892	1,441,678	5,082,398	5,107,355
Total net assets	<u>\$ 31,274,815</u>	<u>\$ 32,741,134</u>	<u>\$ 8,937,362</u>	<u>\$ 8,845,625</u>	<u>\$ 40,212,177</u>	<u>\$ 41,586,759</u>

The level of investment for FY2011 has risen modestly as compared to FY2010. Governmental activities' capital assets (net of related debt) increased by \$0.8 million while business type activities' capital assets decreased by \$85,477.

Governmental activities current assets are up \$0.3 million as compared with FY2010 reflecting consistent financial and operational management results for FY2011. Business-type activity (water) current assets also increased \$0.3 million.

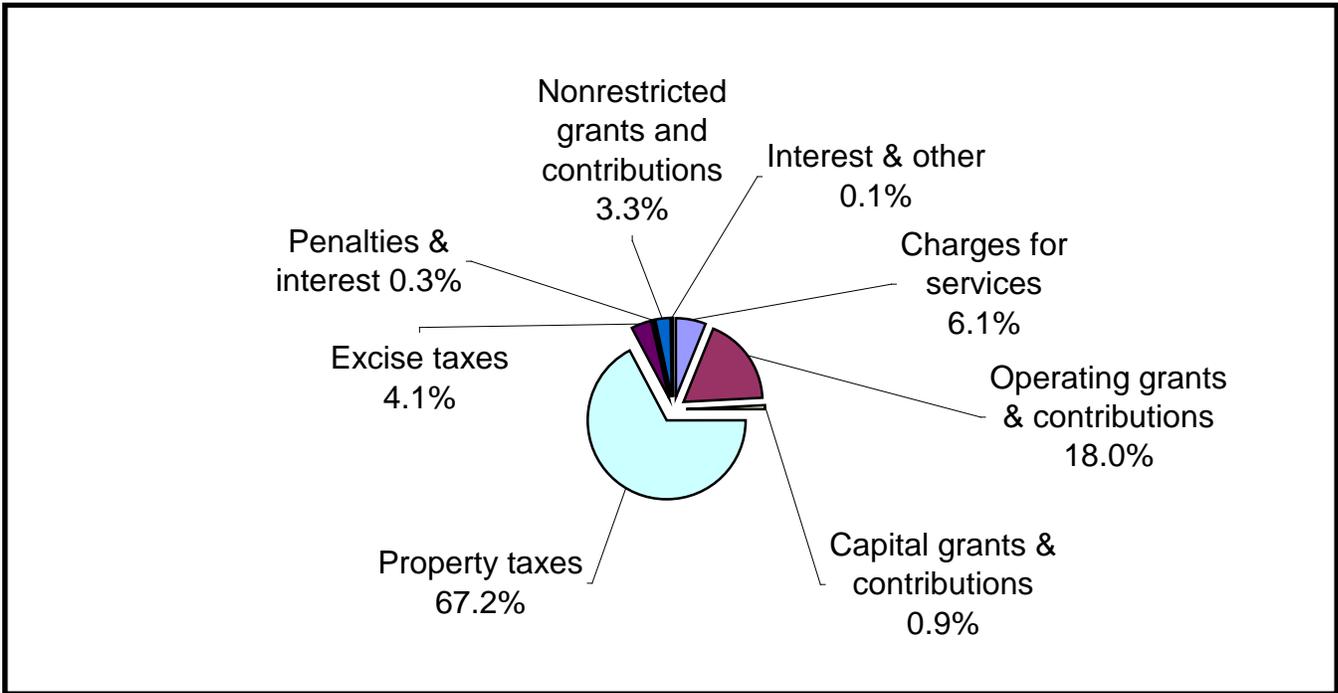
Governmental activities current liabilities' increased by \$0.2 million and non-current liabilities increased \$0.2 million reflecting consistent operations. Business-type activity (water) current liabilities decreased \$28,010 while non-current liabilities decreased \$0.2 million.

Governmental activities decreased the Town of Wrentham's net assets by \$1.5 million. Presented below are the components that contributed to the change in net assets, along with comparative data for the previous fiscal year:

Comparative Changes in Net Assets

	Governmental Activities		Increase/ (Decrease)
	FY 2011	FY 2010	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 2,215,420	\$ 2,160,766	\$ 54,654
Operating grants and contributions	6,545,639	6,498,618	47,021
Capital grants and contributions	327,825	318,369	9,456
<i>General Revenues:</i>			
Real Estate and personal property taxes	24,389,470	23,946,535	442,935
Motor vehicle and other excise taxes	1,467,473	1,404,389	63,084
Penalties and interest	117,044	132,833	(15,789)
Payments in lieu of taxes	8,034	7,774	260
Nonrestricted grants and contributions	1,178,814	971,788	207,026
Unrestricted investment income & other	44,349	157,691	(113,342)
Total Revenues	36,294,068	35,598,763	695,305
Expenses:			
General Government	1,312,898	1,220,597	92,301
Public Safety	4,606,385	4,222,525	383,860
Education	18,870,221	18,048,314	821,907
Public Works	2,990,750	2,750,161	240,589
Human Services	471,779	677,384	(205,605)
Culture and Recreation	764,829	804,444	(39,615)
Employee Benefits	7,935,533	7,754,184	181,349
State and County Assessments	339,743	343,112	(3,369)
Interest	530,577	602,071	(71,494)
Total Expenses	37,822,715	36,422,792	1,399,923
Increase/(Decrease) in Net Assets before Contributions to Term and Permanent Endowments or Permanent Fund Principal, and Transfers	(1,528,647)	(824,029)	(704,618)
Contribution to Permanent Funds	62,328	15,600	46,728
Transfers	-	(4,514)	4,514
Change in Net Assets	(1,466,319)	(812,943)	(653,376)
Net Assets - beginning	32,741,134	33,554,077	
Net Assets - ending	\$ 31,274,815	\$ 32,741,134	

Governmental Activities – FY2011 Revenues



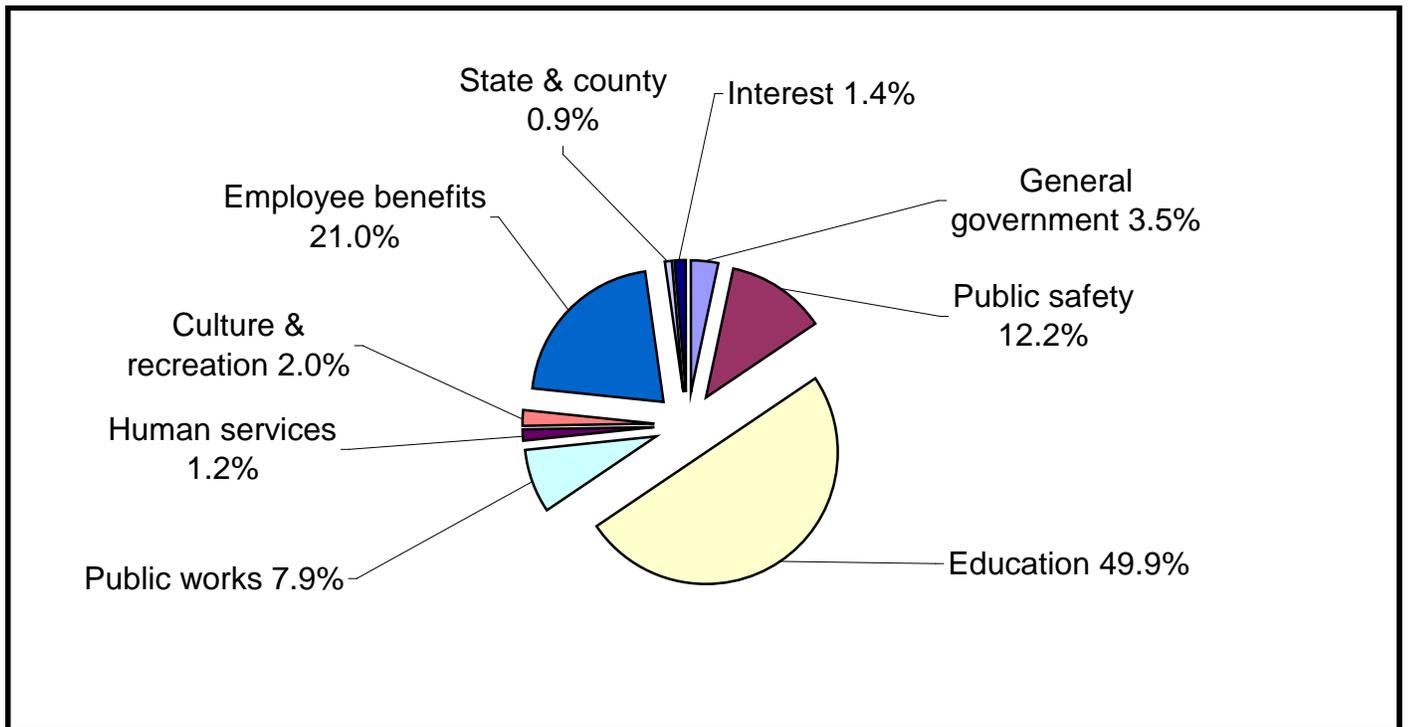
Revenues

Property taxes support 67.2% of the Town’s governmental activities. When compared to the prior year’s distribution, the percentage of total for each revenue category showed an insignificant change if any at all. This continues the pressure to raise property tax revenue to the statutory maximum allowed.

70% of the operating grants and contributions apply to education operations. Approximately 36% and 34% of the charges for services revenue represent revenues generated for the public safety departments (Police, Fire Dispatch and Inspection) and education services respectively.

100% of capital grants and contributions apply to public works.

Governmental Activities – FY2011 Expenses



Expenses

Attributing for nearly one-half of the total expenditures, education remains the largest governmental activity of the Town. Over \$18.8 million in taxes and other revenues were needed to cover the FY 2011 operating expenses for education.

Employee benefits and public safety continue to represent the second and third largest governmental activities of the Town. Approximately \$7.9 million and \$4.6 million of taxes and other revenues were needed to cover the FY 2011 operating expenses for those two activities respectively.

The Town's management has been and continues to be committed to strong budgetary controls. In total, departmental expenses increased a modest 3.8% in comparison to FY2010, of which 59% was education expenditures.

Business-Type Activities

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

Business-type activities net assets decreased by \$91,737. Presented below are the components that contributed to the change in net assets, along with comparative data for the previous fiscal year:

Comparative Changes in Net Assets

	Business-type Activities		Increase/ (Decrease)
	FY 2011	FY 2010	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 1,946,198	\$ 1,652,980	\$ 293,218
Operating grants and contributions	51,249	65,617	(14,368)
Capital grants and contributions	115,706	118,213	(2,507)
Total Revenues	2,113,153	1,836,810	276,343
Expenses:			
Water	2,021,416	1,602,833	418,583
Total Expenses	2,021,416	1,602,833	418,583
Excess/(deficiency) in Net Assets before Transfers	91,737	233,977	(142,240)
Transfers	-	4,514	(4,514)
Change in Net Assets	91,737	238,491	(146,754)
Net Assets - beginning	8,845,625	8,607,134	
Net Assets - ending	\$ 8,937,362	\$ 8,845,625	

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 \$7.5 million, a decrease of \$0.3 million in comparison with the prior fiscal year. The General Fund is the chief operating fund of the Town. At the end of the fiscal year, unassigned fund balance was \$4,459,772 while total fund balance was \$5,076,197. 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 assets for the Water operation were \$8.9 million; \$7.3 million of which relates to the Town's investment in capital assets.

General Fund Budgetary Highlights

The original general fund budget was increased by \$399,025 to the final budget of approximately \$33.4 million. Additional funds were primarily needed for public works expenditures.

Revenues exceeded budgetary amounts by \$888,892, and expenditures were less than budgetary amounts by \$840,785. Favorable revenue types include motor vehicle excise and departmental fees. All departments realized budget savings reflecting extraordinary budgetary management.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2011 amount to \$49,027,719 (net of accumulated depreciation). This investment includes land, buildings, improvements other than buildings, construction in progress, vehicles, machinery and equipment, software, and infrastructure.

No major capital asset events occurred during the fiscal year.

Capital Assets
(Net of Accumulated Depreciation)

<u>Governmental activities</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>Increase/ (Decrease)</u>
General Government	\$ 7,273,250	\$ 7,355,298	\$ (82,048)
Public Safety	8,670,872	9,058,700	(387,828)
Education	11,710,606	12,150,872	(440,266)
Public Works	6,769,287	6,755,119	14,168
Human Services	130,656	141,754	(11,098)
Culture & Recreation	3,449,321	3,550,958	(101,637)
Total by function	<u>38,003,992</u>	<u>39,012,701</u>	<u>(1,008,709)</u>
 Business-type activities			
Water	<u>11,023,727</u>	<u>11,460,577</u>	<u>(436,850)</u>
Grand Total	<u>\$ 49,027,719</u>	<u>\$ 50,473,278</u>	<u>\$ (1,445,559)</u>

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 \$16,342,003. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the government. The Town has no revenue bonds outstanding, which are bonds secured solely by specified revenue sources.

No General Obligation Bonds were issued during FY2011.

Outstanding Debt at Year End

<u>Governmental Activities</u>	<u>Outstanding June 30, 2011</u>	<u>Outstanding June 30, 2010</u>
School Buildings	\$ 4,530,000	\$ 5,025,000
Municipal Buildings	6,445,000	7,365,000
Land Acquisition	1,320,000	1,660,000
Other	<u>341,746</u>	<u>393,207</u>
Total Governmental Activities	<u>\$ 12,636,746</u>	<u>\$ 14,443,207</u>
 Business-type Activities		
Water Mains/Improvements	<u>\$ 3,705,257</u>	<u>\$ 4,056,630</u>

At the end of the fiscal year the Town's loans authorized/unissued was just over \$1.0 million. 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 Commonwealth of Massachusetts continues to experience fiscal difficulties, which are projected to impact the Town's ability to fund operating budgets for the next few years. Both residential property growth and commercial construction has been limited, but recent increases reflect recovering conditions and the outlook is cautiously optimistic.

Employee benefits and education requirements and the general maintenance of assets are expected to pressure operating budgets. Increased services are not expected over the next few years.

Despite the adverse factors mentioned above, the Town has a balanced budget for FY2012 and remains diligent in its efforts to balance the FY2013 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 ASSETS
JUNE 30, 2011**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 6,875,228	\$ 1,220,310	\$ 8,095,538
INVESTMENTS	2,281,775	-	2,281,775
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	304,982	-	304,982
TAX LIENS	879,330	-	879,330
MOTOR VEHICLE EXCISE TAXES	120,788	-	120,788
USER FEES	-	668,853	668,853
DEPARTMENTAL AND OTHER	398,379	-	398,379
INTERGOVERNMENTAL	1,474,493	-	1,474,493
NONCURRENT:			
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
INTERGOVERNMENTAL	2,068,716	-	2,068,716
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	38,003,992	11,023,727	49,027,719
TOTAL ASSETS	52,407,683	12,912,890	65,320,573
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	1,836,614	88,787	1,925,401
OTHER LIABILITIES	119,221	-	119,221
ACCRUED INTEREST	92,867	10,110	102,977
CAPITAL LEASE PAYABLE	9,226	-	9,226
BONDS AND NOTES PAYABLE	1,802,420	351,301	2,153,721
COMPENSATED ABSENCES	114,345	1,561	115,906
NONCURRENT:			
CAPITAL LEASE PAYABLE	9,849	-	9,849
BONDS AND NOTES PAYABLE	10,834,326	3,353,956	14,188,282
COMPENSATED ABSENCES	31,707	8,068	39,775
POSTEMPLOYMENT BENEFITS	6,282,293	161,745	6,444,038
TOTAL LIABILITIES	21,132,868	3,975,528	25,108,396
<u>NET ASSETS</u>			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	25,348,171	7,318,470	32,666,641
RESTRICTED FOR:			
STREETS	1,012,500	-	1,012,500
PERMANENT FUNDS:			
EXPENDABLE	135,278	-	135,278
NONEXPENDABLE	199,513	-	199,513
OTHER PURPOSES	1,115,847	-	1,115,847
UNRESTRICTED	3,463,506	1,618,892	5,082,398
TOTAL NET ASSETS	\$ 31,274,815	\$ 8,937,362	\$ 40,212,177

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2011**

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE</u>	
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>		<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 1,312,898	\$ 159,453	\$ 233,545	\$ -	\$ (919,900)
PUBLIC SAFETY	4,606,385	806,666	184,939	-	(3,614,780)
EDUCATION	18,870,221	759,186	4,573,160	-	(13,537,875)
PUBLIC WORKS	2,990,750	109,529	24,917	327,825	(2,528,479)
HUMAN SERVICES	471,779	225,808	78,607	-	(167,364)
CULTURE & RECREATION	764,829	154,778	104,754	-	(505,297)
EMPLOYEE BENEFITS	7,935,533	-	1,345,717	-	(6,589,816)
STATE & COUNTY ASSESSMENTS	339,743	-	-	-	(339,743)
INTEREST	530,577	-	-	-	(530,577)
TOTAL GOVERNMENTAL ACTIVITIES	37,822,715	2,215,420	6,545,639	327,825	(28,733,831)
BUSINESS-TYPE ACTIVITIES:					
WATER	2,021,416	1,946,198	51,249	115,706	91,737
TOTAL PRIMARY GOVERNMENT	\$ 39,844,131	\$ 4,161,618	\$ 6,596,888	\$ 443,531	\$ (28,642,094)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF WRENTHAM, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2011**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET ASSETS:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (28,733,831)	\$ 91,737	\$ (28,642,094)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	23,965,852	-	23,965,852
TAX LIENS	423,618	-	423,618
MOTOR VEHICL EXCISE TAXES	1,467,473	-	1,467,473
PENALTIES AND INTEREST ON TAXES	117,044	-	117,044
PAYMENTS IN LIEU OF TAXES	8,034	-	8,034
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,178,814	-	1,178,814
UNRESTRICTED INVESTMENT INCOME	44,349	-	44,349
CONTRIBUTIONS TO PERMANENT FUNDS	62,328	-	62,328
TRANSFERS, NET	-	-	-
TOTAL GENERAL REVENUES AND TRANSFERS	27,267,512	-	27,267,512
CHANGE IN NET ASSETS	(1,466,319)	91,737	(1,374,582)
NET ASSETS:			
BEGINNING OF YEAR	32,741,134	8,845,625	41,586,759
END OF YEAR	\$ 31,274,815	\$ 8,937,362	\$ 40,212,177

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF WRENTHAM, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011**

<u>ASSETS</u>	<u>GENERAL</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
CASH AND SHORT-TERM INVESTMENTS	\$ 4,972,620	\$ 1,902,608	\$ 6,875,228
INVESTMENTS	1,733,401	548,374	2,281,775
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	304,982	-	304,982
TAX LIENS	879,330	-	879,330
MOTOR VEHICLE EXCISE TAXES	120,788	-	120,788
DEPARTMENTAL AND OTHER	-	398,379	398,379
INTERGOVERNMENTAL	2,361,286	1,181,923	3,543,209
TOTAL ASSETS	\$ 10,372,407	\$ 4,031,284	\$ 14,403,691
 <u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
ACCOUNTS PAYABLE	\$ 1,679,347	\$ 157,267	\$ 1,836,614
OTHER LIABILITIES	119,221	-	119,221
DEFERRED REVENUES	3,497,642	1,410,879	4,908,521
TOTAL LIABILITIES	5,296,210	1,568,146	6,864,356
FUND BALANCES:			
NONSPENDABLE	-	199,513	199,513
RESTRICTED	-	2,032,916	2,032,916
COMMITTED	188,994	-	188,994
ASSIGNED	427,431	230,709	658,140
UNASSIGNED	4,459,772	-	4,459,772
TOTAL FUND BALANCES	5,076,197	2,463,138	7,539,335
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,372,407	\$ 4,031,284	\$ 14,403,691

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, 2011**

	<u>GENERAL</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES:</u>			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 24,336,063	\$ -	\$ 24,336,063
MOTOR VEHICLE EXCISE TAXES	1,471,918	-	1,471,918
PENALTIES AND INTEREST ON TAXES	117,044	-	117,044
INTERGOVERNMENTAL	6,323,978	1,179,428	7,503,406
CHARGES FOR SERVICES	-	1,579,104	1,579,104
INVESTMENT INCOME	44,349	(7,030)	37,319
CONTRIBUTIONS & DONATIONS	-	128,764	128,764
DEPARTMENTAL AND OTHER	1,085,195	81,680	1,166,875
	<u>33,378,547</u>	<u>2,961,946</u>	<u>36,340,493</u>
TOTAL REVENUES			
<u>EXPENDITURES:</u>			
CURRENT:			
GENERAL GOVERNMENT	1,167,535	63,315	1,230,850
PUBLIC SAFETY	3,938,213	261,269	4,199,482
EDUCATION	16,605,115	1,824,840	18,429,955
PUBLIC WORKS	2,896,430	108,488	3,004,918
HUMAN SERVICES	338,914	121,767	460,681
CULTURE & RECREATION	427,228	235,964	663,192
EMPLOYEE BENEFITS	5,919,074	-	5,919,074
STATE & COUNTY ASSESSMENTS	339,743	-	339,743
DEBT SERVICE			
PRINCIPAL	1,806,461	-	1,806,461
INTEREST	546,261	-	546,261
	<u>33,984,974</u>	<u>2,615,643</u>	<u>36,600,617</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(606,427)</u>	<u>346,303</u>	<u>(260,124)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
OPERATING TRANSFERS IN	567,757	-	567,757
OPERATING TRANSFERS OUT	-	(567,757)	(567,757)
	<u>567,757</u>	<u>(567,757)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	(38,670)	(221,454)	(260,124)
FUND BALANCES AT BEGINNING OF YEAR	5,114,867	2,684,592	7,799,459
FUND BALANCES AT END OF YEAR	<u>\$ 5,076,197</u>	<u>\$ 2,463,138</u>	<u>\$ 7,539,335</u>

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 ASSETS
FISCAL YEAR ENDED JUNE 30, 2011**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 7,539,335
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		38,003,992
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		4,908,521
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(92,867)
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	(12,636,746)	
CAPITAL LEASE PAYABLE	(19,075)	
OTHER POSTEMPLOYMENT BENEFITS (OPEB)	(6,282,293)	
COMPENSATED ABSENCES	<u>(146,052)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(19,084,166)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 31,274,815</u></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, 2011**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ (260,124)
<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	630,580	
DEPRECIATION EXPENSE	<u>(1,639,289)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		(1,008,709)
<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>		
		15,903
<p>THE ISSUANCE OF LONG-TERM DEBT (E.G., BONDS) PROVIDES CURRENT FINANCIAL RESOURCES TO GOVERNMENTAL FUNDS, WHILE THE REPAYMENT OF THE PRINCIPAL OF LONG-TERM DEBT CONSUMES THE FINANCIAL RESOURCES OF GOVERNMENTAL FUNDS. NEITHER TRANSACTION, HOWEVER, HAS ANY EFFECT ON NET ASSETS. ALSO, GOVERNMENTAL FUNDS REPORT THE EFFECT OF ISSUANCE COSTS, PREMIUMS, DISCOUNTS, AND SIMILAR ITEMS WHEN DEBT IS FIRST ISSUED, WHEREAS THESE AMOUNTS ARE DEFERRED AND AMORTIZED IN THE STATEMENT OF ACTIVITIES.</p>		
PROCEEDS FROM CAPITAL LEASE	(29,588)	
CAPITAL LEASE PAYMENTS	10,513	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>1,806,461</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		1,787,386
<p>SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED AS EXPENDITURES IN THE GOVERNMENTAL FUNDS.</p>		
NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	(2,011,851)	
NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	(4,608)	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>15,684</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>(2,000,775)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ (1,466,319)</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, 2011**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE OVER(UNDER)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 24,352,804	\$ 24,352,804	\$ 24,336,063	\$ (16,741)
MOTOR VEHICLE EXCISE TAXES	1,074,955	1,074,955	1,471,918	396,963
PENALTIES & INTEREST ON TAXES	100,000	100,000	117,044	17,044
INTERGOVERNMENTAL	4,698,783	4,698,783	4,960,940	262,157
INVESTMENT INCOME	30,000	30,000	37,821	7,821
DEPARTMENTAL AND OTHER	863,547	863,547	1,085,195	221,648
TOTAL REVENUES	<u>31,120,089</u>	<u>31,120,089</u>	<u>32,008,981</u>	<u>888,892</u>
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	1,280,272	1,276,103	1,174,753	101,350
PUBLIC SAFETY	4,193,574	4,200,432	3,937,767	262,665
EDUCATION	16,647,925	16,656,925	16,592,309	64,616
PUBLIC WORKS	2,620,393	2,963,031	2,879,696	83,335
HUMAN SERVICES	359,669	367,669	338,913	28,756
CULTURE & RECREATION	420,216	436,894	427,227	9,667
EMPLOYEE BENEFITS	4,849,023	4,849,023	4,573,461	275,562
STATE & COUNTY ASSESSMENTS	334,220	334,220	339,743	(5,523)
DEBT SERVICE:				
PRINCIPAL	1,798,529	1,798,529	1,798,529	-
INTEREST	537,106	557,126	536,769	20,357
TOTAL EXPENDITURES	<u>33,040,927</u>	<u>33,439,952</u>	<u>32,599,167</u>	<u>840,785</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,920,838)</u>	<u>(2,319,863)</u>	<u>(590,186)</u>	<u>1,729,677</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	470,000	490,020	567,757	77,737
NET CHANGE IN FUND BALANCE	(1,450,838)	(1,829,843)	(22,429)	1,807,414
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	<u>3,196,209</u>	<u>3,196,209</u>	<u>3,196,209</u>	<u>-</u>
BUDGETARY FUND BALANCE, END OF YEAR	<u>\$ 1,745,371</u>	<u>\$ 1,366,366</u>	<u>\$ 3,173,780</u>	<u>\$ 1,807,414</u>

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF NET ASSETS
 JUNE 30, 2011**

	BUSINESS-TYPE ACTIVITIES
<u>ASSETS</u>	WATER ENTERPRISE FUND
CURRENT:	
CASH AND SHORT-TERM INVESTMENTS	\$ 1,220,310
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES	668,853
TOTAL CURRENT ASSETS	1,889,163
NONCURRENT:	
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	11,023,727
TOTAL ASSETS	12,912,890
<u>LIABILITIES</u>	
CURRENT:	
ACCOUNTS PAYABLE	88,787
ACCRUED INTEREST	10,110
BONDS AND NOTES PAYABLE	351,301
COMPENSATED ABSENCES	1,561
TOTAL CURRENT LIABILITIES	451,759
NONCURRENT:	
BONDS AND NOTES PAYABLE	3,353,956
COMPENSATED ABSENCES	8,068
OTHER POSTEMPLOYMENT BENEFITS	161,745
TOTAL NONCURRENT LIABILITIES	3,523,769
TOTAL LIABILITIES	3,975,528
<u>NET ASSETS</u>	
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	7,318,470
UNRESTRICTED	1,618,892
TOTAL NET ASSETS	\$ 8,937,362

See accompanying notes to the basic financial statements

TOWN OF WRENTHAM, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FISCAL YEAR ENDED JUNE 30, 2011

	BUSINESS-TYPE ACTIVITIES
	WATER ENTERPRISE FUND
<u>OPERATING REVENUES:</u>	
CHARGES FOR SERVICES	\$ 1,946,198
DEPARTMENTAL AND OTHER	45,500
TOTAL OPERATING REVENUES	1,991,698
<u>OPERATING EXPENSES:</u>	
GENERAL SERVICES	1,475,274
DEPRECIATION	436,850
TOTAL OPERATING EXPENSES	1,912,124
OPERATING INCOME (LOSS)	79,574
<u>NON-OPERATING REVENUES (EXPENSES):</u>	
INTERGOVERNMENTAL	115,706
INTEREST INCOME	5,749
INTEREST EXPENSE	(109,292)
TOTAL NON-OPERATING REVENUES (EXPENSES), NET (LOSS)	12,163
INCOME (LOSS) BEFORE OPERATING TRANSFERS	91,737
<u>OPERATING TRANSFERS:</u>	-
CHANGE IN NET ASSETS	91,737
NET ASSETS AT BEGINNING OF YEAR	8,845,625
NET ASSETS AT END OF YEAR	\$ 8,937,362

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FISCAL YEAR ENDED JUNE 30, 2011**

	BUSINESS-TYPE ACTIVITIES
	WATER ENTERPRISE FUND
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
RECEIPTS FROM CUSTOMERS AND USERS	\$ 1,952,585
PAYMENTS TO SUPPLIERS	(781,105)
PAYMENTS TO EMPLOYEES	(506,688)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	664,792
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(316,777)
INTEREST EXPENSE	(78,709)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(395,486)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
INTEREST RECEIVED	5,749
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	5,749
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	275,055
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	945,255
CASH AND SHORT TERM INVESTMENTS- END OF YEAR	\$ 1,220,310
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>	
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
OPERATING INCOME (LOSS)	\$ 79,574
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)	
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
DEPRECIATION	436,850
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(39,113)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	23,706
INCREASE (DECREASE) IN COMPENSATED ABSENCES	2,030
INCREASE (DECREASE) IN POSTEMPLOYMENT BENEFITS	161,745
TOTAL ADJUSTMENTS	585,218
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 664,792

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011**

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
CASH AND SHORT-TERM INVESTMENTS	<u>\$ 558,912</u>
<u>LIABILITIES</u>	
ACCOUNTS PAYABLE	19,635
OTHER LIABILITIES	<u>539,277</u>
TOTAL LIABILITIES	<u>558,912</u>
<u>NET ASSETS</u>	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Primary Government

The Town is a municipal corporation that is governed by a five member Board of Selectmen (the Board). The Board is responsible for appointing a Town Administrator whose responsibility is to manage the day to day operations. For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units, blended or discretely presented, for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. It has been determined that there are no component units (blended or discretely presented) for inclusion in the primary government’s financial reporting entity.

Joint Ventures

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

Name	Purpose	Address	Annual Assessment
King Philip Regional School District	To provide secondary education	P.O. Box 49 201 Franklin St. Wrentham, Ma. 02093	\$ 7,273,111
Tri-County Regional Vocational-Technical High School	To provide vocational education	147 Pond Street Franklin, MA 02038	\$ 662,106

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 40.36% in the joint venture.

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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 assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are supported primarily by user fees and charges.

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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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 post-employment 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 and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:
 - The *Special Revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
 - The *Permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary Fund Financial Statements

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

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

The following major proprietary fund is reported:

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

Fiduciary Fund Financial Statements

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

The following fiduciary fund type is reported:

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

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

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

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

TOWN OF WRENTHAM, MASSACHUSETTS
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Motor Vehicle Excise

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

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

Water

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

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

Departmental and Other

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

Intergovernmental

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

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

F. Inventories

Government-Wide and Fund Financial Statements

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

TOWN OF WRENTHAM, MASSACHUSETTS
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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 assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

Fund Financial Statements

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

I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as 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 assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

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

J. Deferred Revenue

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

TOWN OF WRENTHAM, MASSACHUSETTS
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K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets are classified into three components:

- a. *Invested in capital assets, net of related debt* – 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 assets* – Consists of net assets 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 assets 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 assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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 assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

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

M. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General 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 assets. 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, 2011 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
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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 2011 approved budget authorized \$32,690,679 in current year appropriations and other amounts to be raised and \$350,248 in carryover articles carried over from previous fiscal years. Supplemental appropriations of \$399,025 were approved at one Town Meetings for fiscal year 2011.

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, 2011, is presented below:

Net change in fund balance - budgetary basis	\$ (22,429)
Basis of accounting differences:	
Net Stabilization fund activity	6,528
Adjustment for current year encumbrances	84,522
Increase in revenue for the MWPAT subsidy	17,425
Increase in expenditures for the MWPAT subsidy	(17,425)
Increase in revenue for on-behalf payments - MTRS	1,345,613
Increase in expenditures for on-behalf payments - MTRS	(1,345,613)
Adjustment for expenditures from prior year encumbrances	<u>(107,291)</u>
Net change in fund balance - GAAP basis	<u><u>\$ (38,670)</u></u>

TOWN OF WRENTHAM, MASSACHUSETTS
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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), the Share Insurance Fund (SIF), or collateralized with securities held by the Town or the Town’s agent in the Town’s name. The Town also carries deposits that are uninsured, uncollateralized, or collateral held by the pledging bank’s trust department not in the Town’s name.

The following table illustrates how much of the Town’s bank deposits are insured or collateralized, and how much of the Town’s bank deposits are uninsured, uncollateralized, or collateral held by the pledging bank’s trust department not in the Town’s name as of June 30, 2011:

Total bank balances		\$ 8,999,471
		<u> </u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	1,354,542	
Depositors Insurance Fund (DIF)	1,063,779	
Share Insurance Fund (SIF)	<u>4,828,136</u>	
Total bank balances covered by deposit insurance		7,246,457
Balances subject to custodial credit risk		
Bank balances uninsured & uncollateralized	<u>1,753,014</u>	
Total bank balances subject to custodial credit risk		<u>1,753,014</u>
Total bank balances		<u><u>\$ 8,999,471</u></u>

On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2013.

**TOWN OF WRENTHAM, MASSACHUSETTS
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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	\$ 1,285,462	N/A	\$ 1,285,462	\$ -
Corporate Bonds (**)	813,723	N/A	813,723	-
Mutual Funds	161,218	N/A	-	161,218
Common stock	21,372	N/A	-	21,372
Total Investments	\$ 2,281,775		\$ 2,099,185	\$ 182,590

(**) – The corporate bonds were purchased under the Temporary Liquidity Guarantee Program.

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, Corporate Bonds, or 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.

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

TOWN OF WRENTHAM, MASSACHUSETTS
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- *Interest Rate Risk*

Interest rate risk is the risk of changes in market interest rates which will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk of its fair value to change with the market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Investment type	Fair value	Investment maturities (in years)	
		Less than 1	1-5
<i>Debt Related Securities:</i>			
U.S. Government & Agency	\$ 1,285,462	\$ 302,229	\$ 983,233
Corporate Bonds	813,723	101,355	712,368
Total - Debt related securities	\$ 2,099,185	\$ 403,584	\$ 1,695,601
<i>Other Investments:</i>			
Mutual Funds	161,218	161,218	-
Common Stock	21,372	21,372	-
Total Other Investments	182,590	182,590	-
Total Investments	\$ 2,281,775	\$ 586,174	\$ 1,695,601

- *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
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JUNE 30, 2011**

NOTE 4 – RECEIVABLES

The receivables at June 30, 2011 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	\$ 395,982	\$ (91,000)	\$ 304,982
Tax liens	879,330	-	879,330
Motor vehicle excise taxes	203,788	(83,000)	120,788
Departmental and other	1,015,379	(617,000)	398,379
Intergovernmental	3,543,209	-	3,543,209
Total	\$ 6,037,688	\$ (791,000)	\$ 5,246,688

The Water Enterprise fund receivables as of June 30, 2011 consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
Water - User Fees	\$ 668,853	\$ -	\$ 668,853

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

Deferred Revenue Analysis			
Receivable Type:	General Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 136,238	\$ -	\$ 136,238
Tax Liens	879,330	-	879,330
Motor vehicle excise taxes	120,788	-	120,788
Departmental and other	-	398,379	398,379
Intergovernmental	2,361,286	1,012,500	3,373,786
Total	\$ 3,497,642	\$ 1,410,879	\$ 4,908,521

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, 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	159,507	103,729	-	263,236
Total capital assets not being depreciated	4,791,163	103,729	-	4,894,892
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	34,205,774	-	-	34,205,774
Capital Improvements (other than buildings)	2,207,619	61,408	-	2,269,027
Machinery and equipment	1,267,948	13,500	-	1,281,448
Vehicles	3,268,035	254,355	-	3,522,390
Software	104,128	-	-	104,128
Infrastructure	10,603,307	197,588	-	10,800,895
Total capital assets being depreciated	51,656,811	526,851	-	52,183,662
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(8,871,479)	(861,277)	-	(9,732,756)
Capital Improvements (other than buildings)	(514,344)	(115,291)	-	(629,635)
Machinery and equipment	(991,559)	(55,200)	-	(1,046,759)
Vehicles	(2,355,698)	(221,973)	-	(2,577,671)
Software	(74,575)	(11,900)	-	(86,475)
Infrastructure	(4,627,618)	(373,648)	-	(5,001,266)
Total accumulated depreciation	(17,435,273)	(1,639,289)	-	(19,074,562)
Total capital assets being depreciated, net	34,221,538	(1,112,438)	-	33,109,100
Total governmental activities capital assets, net	\$ 39,012,701	\$ (1,008,709)	\$ -	\$ 38,003,992

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 645,101	\$ -	\$ -	\$ 645,101
Construction in progress	-	-	-	-
Total capital assets not being depreciated	645,101	-	-	645,101
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	104,000	-	-	104,000
Plant in service	7,385,403	-	-	7,385,403
Machinery & Equipment	32,502	-	-	32,502
Vehicles	264,471	-	-	264,471
Infrastructure	6,461,958	-	-	6,461,958
Total capital assets being depreciated	14,248,334	-	-	14,248,334
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(70,771)	(1,250)	-	(72,021)
Plant in service	(1,130,933)	(245,501)	-	(1,376,434)
Machinery & Equipment	(6,500)	(6,501)	-	(13,001)
Vehicles	(198,958)	(11,182)	-	(210,140)
Infrastructure	(2,025,696)	(172,416)	-	(2,198,112)
Total accumulated depreciation	(3,432,858)	(436,850)	-	(3,869,708)
Total capital assets being depreciated, net	10,815,476	(436,850)	-	10,378,626
Total business-type activities capital assets, net	<u>\$ 11,460,577</u>	<u>\$ (436,850)</u>	<u>\$ -</u>	<u>\$ 11,023,727</u>

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

Governmental Activities:	
General government	\$ 134,778
Public safety	418,148
Education	440,266
Public works	503,184
Human services	11,098
Culture and recreation	131,815
Total depreciation expense - governmental activities	<u>\$ 1,639,289</u>
Business-Type Activities:	
Water	<u>\$ 436,850</u>

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 – CAPITAL LEASE

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

The asset acquired through the capital lease is as follows:

	Governmental Activities
Asset:	
Vehicle	\$ 29,588
Less: Accumulated depreciation	(7,397)
	\$ 22,191

The future minimum lease obligation and the net present value of the minimum lease payment as of June 30, 2011, are as follows:

Year Ending June 30	Governmental Activities
2012	\$ 10,513
2013	10,514
Total minimum lease payment	21,027
Less: amount representing interest	(1,952)
Present value of minimum lease payment	\$ 19,075

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

<u>Operating Transfers Out:</u>	<u>Operating Transfers In</u>	
	General	
	Fund	
Nonmajor Governmental Funds	\$ 490,020	(1)
Nonmajor Governmental Funds	<u>77,737</u>	(2)
Total	<u>\$ 567,757</u>	

- 1) Represents various budgeted transfers to supplement the operating budget.
- 2) Represents other transfers between funds.

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 2011.

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
Multi-Purpose	4.08	\$ 2,525,000	\$ -	\$ 315,000	\$ 2,210,000
Land Acquisition - Dicarlo Property	3.71	300,000	-	150,000	150,000
Land Acquisition - Public Safety Building	3.69	130,000	-	65,000	65,000
Municipal Buildings Design	3.71	80,000	-	40,000	40,000
Public Safety Building	3.11	4,560,000	-	570,000	3,990,000
Sewer Design / Water Quality Study	Var	96,753	-	31,441	65,312
Title V septage	Var	129,948	-	10,020	119,928
Multi-Purpose	3.60	3,530,000	-	355,000	3,175,000
Title V septage	-	107,947	-	6,747	101,200
Multi-Purpose	Var	2,925,000	-	260,000	2,665,000
Title V septage	-	58,559	-	3,253	55,306
Total		\$ 14,443,207	\$ -	\$ 1,806,461	\$ 12,636,746

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2011 are as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 1,802,420	\$ 477,180	\$ 2,279,600
2013	1,507,636	410,146	1,917,782
2014	1,474,972	354,469	1,829,441
2015	1,469,972	297,601	1,767,573
2016	1,449,972	239,866	1,689,838
2017-2021	4,129,860	473,053	4,602,913
2022-2026	795,406	74,426	869,832
2027-2028	6,508	-	6,508
Total	\$ 12,636,746	\$ 2,326,741	\$ 14,963,487

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

Bonds and Notes Payable Schedule - Water Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
Water Mains	3.71	\$ 100,000	\$ -	\$ 50,000	\$ 50,000
MWPAT Water	Var	2,584,088	-	150,612	2,433,476
Water Tank	3.82	170,000	-	85,000	85,000
MWPAT Water	-	59,936	-	3,155	56,781
Water Mains	3.47	1,142,606	-	62,606	1,080,000
Total		\$ 4,056,630	\$ -	\$ 351,373	\$ 3,705,257

The annual debt service requirements for principal and interest for water enterprise fund bonds and notes outstanding at June 30, 2011 are as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 351,301	\$ 148,324	\$ 499,625
2013	220,863	136,502	357,365
2014	225,777	127,957	353,734
2015	228,155	120,614	348,769
2016	233,155	111,603	344,758
2017-2021	1,265,774	379,269	1,645,043
2022-2026	950,770	107,588	1,058,358
2027-2030	229,462	22,000	251,462
Total	\$ 3,705,257	\$ 1,153,857	\$ 4,859,114

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Loans Authorized and Unissued

As of June 30, 2011, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Elementary School Addition	11/29/2000	\$ 2,458
Water Improvements	6/27/2001	789,571
School Boiler Replacement	6/13/2006	<u>120</u>
Total		<u>\$ 792,149</u>

Massachusetts School Building Authority Reimbursements

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

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

The Town has been approved for a 70% percent state school construction grant through the Massachusetts School Building Authority (MSBA) to cover eligible project costs, including debt service associated with the financing of these projects, subject to annual appropriation by the state legislature. The Town received \$292,570 from scheduled annual payments in FY2011 from the MSBA for completed school construction projects.

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2011:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 14,443,207	\$ -	\$ (1,806,461)	\$ 12,636,746	\$ 1,802,420
Compensated absences	141,444	4,608	-	146,052	114,345
Other post-employment benefits	4,270,442	2,011,851	-	6,282,293	-
Total governmental activities long-term liabilities	\$ 18,855,093	\$ 2,016,459	\$ (1,806,461)	\$ 19,065,091	\$ 1,916,765

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 4,056,630	\$ -	\$ (351,373)	\$ 3,705,257	\$ 351,301
Compensated absences	7,599	2,030	-	9,629	1,561
Other post-employment benefits	-	161,745	-	161,745	-
Total business-type activities long-term liabilities	\$ 4,064,229	\$ 163,775	\$ (351,373)	\$ 3,876,631	\$ 352,862

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

Overlapping Debt

The Town pays assessments under formulas which include debt service payments to other governmental agencies providing services to the Town, (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of such governmental agencies and the estimated share being financed by the Town as of June 30, 2011:

Agency	Total Long- Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
King Philip Regional School District Bonds	\$ 24,175,000	40.36%	\$ 9,757,030
Norfolk County Bonds	800,000	1.603%	12,824
	\$ 24,975,000		\$ 9,769,854

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 10 – 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 2011.

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 Medicare HMO Blue, BCBSMA Managed Blue for Seniors, Fallon Senior Plan, HPHC First Seniority, Tufts Medicare Complement, and Tufts Medicare Preferred.

As of June 30, 2011, the West Suburban Health Group had \$32,228,339 in assets and \$11,300,853 in liabilities. The net assets were \$20,927,486.

NOTE 11. 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. **WPWBP** 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 2011, the estimated total Town premiums plus implicit costs for the retiree medical program are \$823,104.

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

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 GASBS 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	\$ 2,971,049
Interest on net OPEB obligation	170,818
Adjustment to annual required contribution (ARC)	<u>(145,167)</u>
Annual OPEB cost (expense)	2,996,700
Contributions made	<u>(823,104)</u>
Increase in net OPEB obligation	2,173,596
Net OPEB obligation - beginning of year	<u>4,270,442</u>
Net OPEB obligation - end of year	<u>\$ 6,444,038</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Increase in OPEB Obligation</u>	<u>Net OPEB 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

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

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

In the June 30, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, the normal cost and actuarial liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ration of past service to total service. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.00% percent graded down to 5.00% over eight 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, 2011, was 27 years.

NOTE 12 – 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.

TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, 2010, and 2009 were \$1,090,564, \$1,052,467, and \$1,043,212, 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 \$1,345,613 for fiscal year 2011. 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 13 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2011, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is believed the amount, if any, would not be material.

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, 2011, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2011.

**TOWN OF WRENTHAM, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14 – GASB #54 IMPLEMENTATION AND MAJOR FUND RECLASSIFICATION

GASB **Statement #54** *Fund Balance Reporting and Governmental Fund Type Definitions* was implemented in FY2011. The standard clarified the fund definitions which resulted in the reclassification of a formerly special revenue fund to the general fund. As a result, the Major Stabilization Fund was reclassified to the General Fund for fiscal year 2011.

Description	Governmental Funds	
	General Fund	Major Stabilization Fund
Balances at June 30, 2010, as previously reported	\$ 3,293,496	\$ 1,821,371
To Reclassify the Major Stabilization Fund to the General Fund	<u>1,821,371</u>	<u>(1,821,371)</u>
Balances at June 30, 2010, as restated	<u>\$ 5,114,867</u>	<u>\$ -</u>

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2011, the following GASB pronouncements were implemented:

The GASB issued **Statement #54** *Fund Balance Reporting and Governmental Fund Type Definitions* was implemented in FY2011. This pronouncement required additional disclosure and reclassified some fund balances in the basic financial statements.

Future GASB Pronouncements:

The GASB issued **Statement #57** *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans* which is required to be implemented in FY2012. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.

The GASB issued **Statement #59** *Financial Instruments Omnibus* which is required to be implemented in FY2012. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.

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

Schedules of Funding Progress and Employer Contributions

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

Projected Schedule of Funding Progress:

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

Schedule of Employer Contributions (1):

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

* Based on expected premium payments.

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

Valuation date	June 30, 2011
Discount Rate	4.00%
Medical Trend	9.0% grading down .5% per year to 5% in eight years
Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level dollar amount over 30 years at transition
Remaining Amortization Period	27
Mortality	RP-2000 Table for males RP-2000 Table for females

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

Plan Membeship:

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