

**TOWN OF WRENTHAM, MASSACHUSETTS**

**REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wrentham, Massachusetts, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Norfolk's County Contributory Retirement System schedules of funding progress, employer contributions, Town's proportionate share of the net pension liability, Town's contribution, and Massachusetts Teachers Retirement system's proportionate share of the net pension liability, and other post-employment benefits – schedules of funding progress and employer contributions and notes to the retirement system on pages 3 – 14 and 64 – 66, 67, 68 – 69 and 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in blue ink that reads "R. E. Brown + Company". The signature is written in a cursive, flowing style.

February 24, 2017

## 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, 2016. 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 \$20.9 million, a decrease of \$2.3 million or 9.7 % less than the Town's net position for the previous fiscal year. A total of \$35.5 million or 170.1% of this sum represents the Town's net investment in capital assets.

At a balance of \$2.3 million by the end of FY2016 the Town's combined stabilization funds have increased just under 34% since FY2011.

Total revenue for the year for all funds was \$45.2 million; \$ 2.2 million or 5.2% more than the total revenue for the fiscal year ended June 30, 2015.

	Fiscal Year Ended <u>June 30, 2016</u>	%	Fiscal Year Ended <u>June 30, 2015</u>	%
		<u>Total</u>		<u>Total</u>
Property Taxes	\$ 29,639,180	65.57%	\$ 28,246,223	65.71%
Motor Vehicle Excise Taxes	1,996,373	4.42%	1,666,813	3.88%
Penalties and Interest	176,679	0.39%	174,028	0.40%
Payments in Lieu of Taxes	8,870	0.02%	8,800	0.02%
Charges for Services	5,032,147	11.13%	4,821,201	11.22%
Operating Grants and Contributions	7,165,537	15.85%	5,848,320	13.61%
Capital Grants and Contributions	102,325	0.23%	860,895	2.00%
Nonrestricted Grants and Contributions	953,866	2.11%	1,277,145	2.97%
Unrestricted Investments and Other	124,787	0.28%	80,536	0.19%
	<u>\$ 45,199,764</u>	<u>100.00%</u>	<u>\$ 42,983,961</u>	<u>100.00%</u>

Total expenditures for the year for all funds was \$47.5 million; \$3.4 million or 7.8% more than the total expenditures for the fiscal year ended June 30, 2015.

	Fiscal Year Ended		Fiscal Year Ended	
	June 30, 2016	% Total	June 30, 2015	% Total
General government	\$ 1,719,855	3.62%	\$ 1,576,150	3.58%
Public safety	5,637,362	11.88%	5,280,858	12.00%
Education	22,814,715	48.07%	21,706,391	49.31%
Public works	3,334,281	7.02%	3,277,709	7.45%
Human services	723,415	1.52%	455,727	1.04%
Culture and recreation	941,701	1.98%	864,075	1.96%
Employee benefits	9,787,341	20.62%	8,169,537	18.56%
State and county assessments	454,258	0.96%	365,573	0.83%
Interest	247,967	0.52%	308,669	0.70%
Water	1,802,827	3.80%	2,016,385	4.58%
Total expenditures	<u>\$ 47,463,722</u>	<u>100.00%</u>	<u>\$ 44,021,074</u>	<u>100.00%</u>

## Overview of the Financial Statements

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

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

## Government-Wide Financial Statements

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

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

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

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

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

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

## **Fund Financial Statements**

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

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

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



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

The Town adopts an annual budget for its general fund. A budgetary comparison statement, *Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual* has been provided for the general fund to demonstrate compliance with this budget.

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

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

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

## **Notes to Basic Financial Statements**

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

### ***Government-Wide Financial Analysis***

#### **Statement of Net Position**

Net position may serve over time as a useful indicator of a government's financial condition. The Town's net position as of June 30, 2016 was \$20.9 million, of which the governmental activities were \$11.6 million and the business-type activities were \$9.3 million.

At \$35.5 million, the largest portion of the Town's net position 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.

The following table of *Comparative Net Position*, indicates a \$0.3 million increase in the level of net investment in capital assets for FY2016 as compared to FY2015. Governmental activities' capital assets (net of related debt) increased \$0.4 million while business type activities' capital assets decreased \$0.1 million.

<b>Comparative Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2015</u>
<b>Assets:</b>						
Current assets	\$ 15,980,573	\$ 15,198,998	\$ 4,239,402	\$ 3,646,549	\$ 20,219,975	\$ 18,845,547
Non current assets	34,712,081	36,234,982	10,321,828	10,757,233	45,033,909	46,992,215
<b>Total assets</b>	<u>50,692,654</u>	<u>51,433,980</u>	<u>14,561,230</u>	<u>14,403,782</u>	<u>65,253,884</u>	<u>65,837,762</u>
<b>Deferred Outflows of Resources:</b>	<u>1,779,570</u>	<u>565,260</u>	<u>117,752</u>	<u>37,402</u>	<u>1,897,322</u>	<u>602,662</u>
<b>Liabilities:</b>						
Current liabilities (excluding debt)	2,567,974	2,091,943	147,693	102,608	2,715,667	2,194,551
Noncurrent liabilities (excluding debt)	30,772,790	28,293,955	1,395,664	1,301,663	32,168,454	29,595,618
Current debt	2,015,849	1,606,412	318,155	308,155	2,334,004	1,914,567
Noncurrent debt	4,263,696	5,792,545	3,477,851	3,796,006	7,741,547	9,588,551
<b>Total liabilities</b>	<u>39,620,309</u>	<u>37,784,855</u>	<u>5,339,363</u>	<u>5,508,432</u>	<u>44,959,672</u>	<u>43,293,287</u>
<b>Deferred Inflows of Resources:</b>	<u>1,215,619</u>	<u>-</u>	<u>80,436</u>	<u>-</u>	<u>1,296,055</u>	<u>-</u>
<b>Net Position:</b>						
Net Investment in Capital Assets	28,326,106	27,945,881	7,208,006	7,335,256	35,534,112	35,281,137
Restricted	7,520,750	7,537,877	-	-	7,520,750	7,537,877
Unrestricted (Deficit)	(24,210,560)	(21,269,373)	2,051,177	1,597,496	(22,159,383)	(19,671,877)
<b>Total net position</b>	<u>\$ 11,636,296</u>	<u>\$ 14,214,385</u>	<u>\$ 9,259,183</u>	<u>\$ 8,932,752</u>	<u>\$ 20,895,479</u>	<u>\$ 23,147,137</u>

Total current assets within the governmental activities were \$16.0 million and included cash & investments of \$12.0 million and receivables net of allowances of \$4.0 million. Non-current assets within the governmental activities were \$34.7 million and included a \$0.6 million long term receivable for School Building Assistance.

Total current liabilities within the governmental activities were \$4.6 million and included accounts payable of \$2.3 million and bonds and notes payable of \$1.9 million Noncurrent liabilities within the governmental activities were \$35.0 million and included \$16.3 million in postemployment benefits liability, \$14.4 million in net pension liability and \$4.1million of general obligation bonds payable.

Total current assets within the business-type activities were \$4.2 million and included cash & investments of \$3.3 million and receivables of \$0.9 million.

Current liabilities within the business-type activities were \$0.5 million and included \$0.3 million of bonds and notes payable. Noncurrent liabilities within the business-type activities were \$4.9 million and included \$0.4 million in postemployment benefits liability, \$1.0 million in net pension liability and \$3.5 million of general obligation bonds payable.

Governmental activities current assets have increased by 5.1% as compared with FY2015 while business-type activity (water) current assets increased by 16.3%.

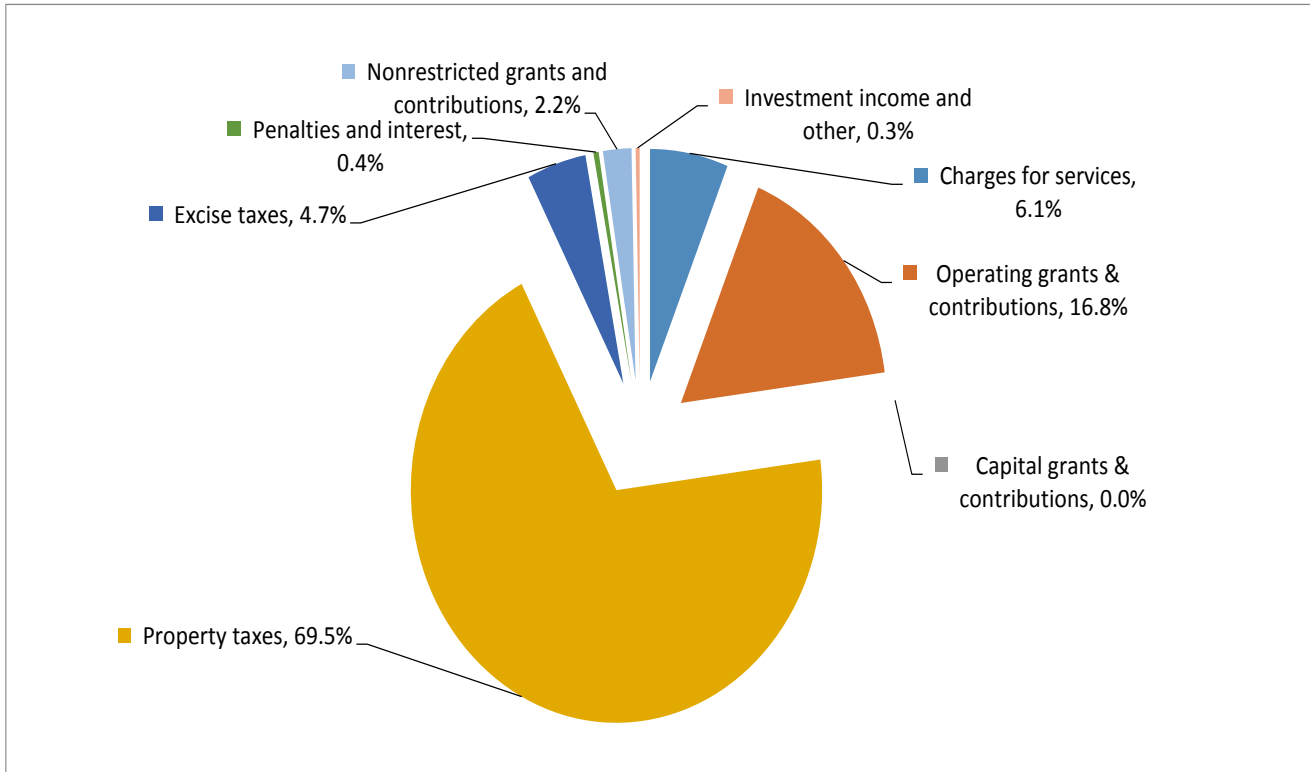
Governmental activities current liabilities' increased by \$0.9 million and non-current liabilities increased \$0.9 million. Business-type activity (water) current liabilities increased \$0.1 million while non-current liabilities decreased \$0.2 million.

Governmental activities decreased the Town of Wrentham's net position by \$2.6 million. Presented below are the components that contributed to the change in net position, along with comparative data for the previous fiscal year:

**Comparative Changes in Net Position**

	<b>Governmental Activities</b>		Increase/ (Decrease)
	FY 2016	FY 2015	
<b>Revenues</b>			
<i>Program Revenues:</i>			
Charges for services	\$ 2,624,799	\$ 2,590,198	\$ 34,601
Operating grants and contributions	7,156,070	5,836,841	1,319,229
Capital grants and contributions	-	755,764	(755,764)
<i>General Revenues:</i>			
Real Estate and personal property taxes	29,639,180	28,246,223	1,392,957
Motor vehicle and other excise taxes	1,996,373	1,666,813	329,560
Penalties and interest	176,679	174,028	2,651
Payments in lieu of taxes	8,870	8,800	70
Nonrestricted grants and contributions	953,866	1,277,145	(323,279)
Unrestricted investment income & other	124,787	80,536	44,251
<b>Total Revenues</b>	<u>42,680,624</u>	<u>40,636,348</u>	<u>2,044,276</u>
<b>Expenses:</b>			
General Government	1,719,855	1,576,150	143,705
Public Safety	5,637,362	5,280,858	356,504
Education	22,814,715	21,706,391	1,108,324
Public Works	3,334,281	3,277,709	56,572
Human Services	723,415	455,727	267,688
Culture and Recreation	941,701	864,075	77,626
Employee Benefits	9,787,341	8,169,537	1,617,804
State and County Assessments	454,258	365,573	88,685
Interest	247,967	308,669	(60,702)
<b>Total Expenses</b>	<u>45,660,895</u>	<u>42,004,689</u>	<u>3,656,206</u>
<b>Increase/(Decrease) in Net Position before Contributions to Term and Permanent Endowments or Permanent Fund Principal, and Transfers</b>	(2,980,271)	(1,368,341)	(1,611,930)
<b>Contribution to Permanent Funds</b>	12,300	5,100	7,200
<b>Transfers</b>	389,882	-	389,882
<b>Change in Net Position</b>	<u>(2,578,089)</u>	<u>(1,363,241)</u>	<u>(1,214,848)</u>
<b>Net Position - beginning</b>	<u>14,214,385</u>	<u>15,577,626</u>	
<b>Net Position - ending</b>	<u>\$ 11,636,296</u>	<u>\$ 14,214,385</u>	

## Governmental Activities –FY2016 Revenues



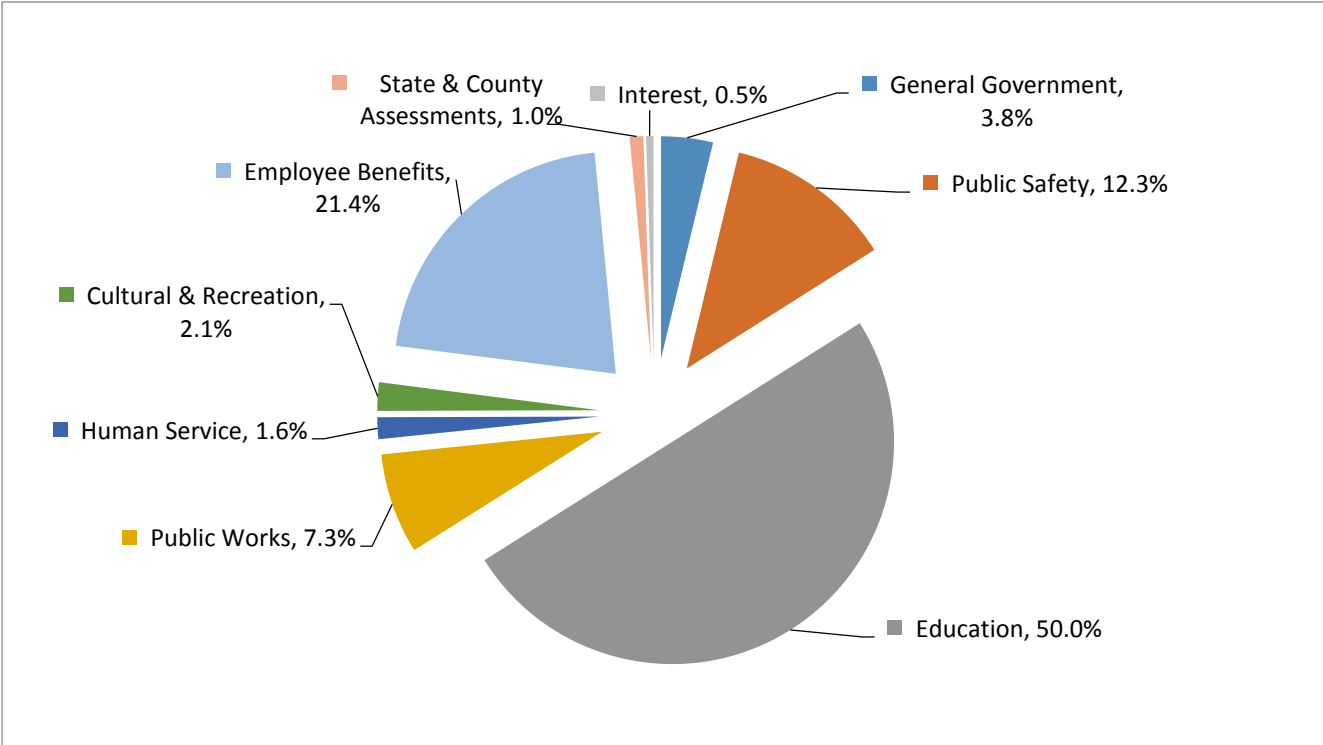
### Revenues

Property taxes support 69.5% of the Town’s governmental activities. When compared to the prior year’s distribution, the percentage of total operating grants & contributions increased 22.6% and motor vehicle and other excise taxes increased 19.8%. Nonrestrictive grants and contributions decreased 25.3% while capital grants & contributions were nonexistent. The remaining revenue categories showed an insignificant change if any at all. This continues the pressure to raise property tax revenue to the statutory maximum allowed.

Just under 62% of the operating grants and contributions apply to education operations. Approximately 38% 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.

There were no capital grant contributions during FY2016

**Governmental Activities – FY2016 Expenses**



**Expenses**

Attributing for 50.0% of the total expenditures, education remains the largest governmental activity of the Town. Just over \$17.5 million in taxes and other general revenues were needed to cover the FY2016 operating expenses for education.

Employee benefits and public safety continue to represent the second and third largest governmental activities of the Town. Approximately \$8.0 million and \$4.4 million of taxes and other general revenues were needed to cover the FY2016 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 8.7% in comparison to FY2015, of which 30% and 44% was education and employee benefits expenditures respectively.

## Business-Type Activities

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

Business-type activities net position increased by \$326,431. Presented below are the components that contributed to the change in net position, along with comparative data for the previous fiscal year:

<b>Comparative Changes in Net Position</b>			
	<b>Business-type Activities</b>		Increase/ (Decrease)
	FY 2016	FY 2015	
<b>Revenues</b>			
<i>Program Revenues:</i>			
Charges for services	\$ 2,407,348	\$ 2,231,003	\$ 176,345
Operating grants and contributions	9,467	11,479	(2,012)
Capital grants and contributions	102,325	105,131	(2,806)
<b>Total Revenues</b>	<u>2,519,140</u>	<u>2,347,613</u>	<u>171,527</u>
<b>Expenses:</b>			
Water	<u>1,802,827</u>	<u>2,016,385</u>	<u>(213,558)</u>
<b>Excess/(deficiency) in revenues over/(under) expenses</b>	<u>716,313</u>	<u>331,228</u>	<u>385,085</u>
<b>Transfers</b>	<u>(389,882)</u>	<u>-</u>	<u>(389,882)</u>
<b>Change in Net Position</b>	<u>326,431</u>	<u>331,228</u>	<u>(4,797)</u>
<b>Net Position - beginning</b>	<u>8,932,752</u>	<u>8,601,524</u>	
<b>Net Position - ending</b>	<u>\$ 9,259,183</u>	<u>\$ 8,932,752</u>	

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

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

### **Governmental Funds**

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

At the end of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$9.7 million, consistent 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 \$4,297,774 while total fund balance was \$6,759,553. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures.

### **Proprietary Funds**

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. At the end of the fiscal year, total net position for the Water operation was \$9.3 million; \$7.2 million of which relates to the Town's net investment in capital assets.

### **General Fund Budgetary Highlights**

The original general fund budget was increased by less than \$1,000 to the final budget of approximately \$39.6 million.

Revenues exceeded budgetary amounts by \$1,261,619 and expenditures were less than budgetary amounts by \$655,779. The greatest budgetary savings were seen in general government and public works. Favorable revenue types include motor vehicle excise, property taxes and departmental. 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, 2016 amount to \$44,440,479 (net of accumulated depreciation). This investment includes land, buildings, improvements other than buildings, construction in progress, vehicles, machinery and equipment, software, and infrastructure.

**Capital Assets**  
**(Net of Accumulated Depreciation)**

<b>Governmental activities</b>	FY 2016	FY 2015	Increase/ (Decrease)
General Government	\$ 6,842,056	\$ 6,960,635	\$ (118,579)
Public Safety	7,934,923	8,280,137	(345,214)
Education	10,022,264	10,189,721	(167,457)
Public Works	6,277,731	6,739,713	(461,982)
Human Services	132,112	144,984	(12,872)
Culture & Recreation	2,909,565	3,029,648	(120,083)
<b>Total by function</b>	<b>34,118,651</b>	<b>35,344,838</b>	<b>(1,226,187)</b>
<b>Business-type activities</b>			
Water	10,321,828	10,757,233	(435,405)
<b>Grand Total</b>	<b>\$ 44,440,479</b>	<b>\$ 46,102,071</b>	<b>\$ (1,661,592)</b>

**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 \$9,377,780. 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 FY2016.

**Outstanding Debt at Year End**

<b>Governmental Activities</b>	<b>Outstanding June 30, 2016</b>	<b>Outstanding June 30, 2015</b>
School Buildings	\$ 2,265,000	\$ 2,720,000
Municipal Buildings	2,060,000	2,910,000
Land Acquisition	480,000	605,000
Other	776,774	871,746
<b>Total Governmental Activities</b>	<b>\$ 5,581,774</b>	<b>\$ 7,106,746</b>
<b>Business-type Activities</b>		
Water Mains/Improvements	\$ 3,796,006	\$ 4,104,161

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



## **Economic Factors and Next Year's Budget and Rates**

The fiscal difficulties experienced by the Commonwealth of Massachusetts appear to be improving as shown with an increase in local permits and construction activity. In 2016 the Town of Wrentham approved two (2) large Chapter 40B affordable housing projects and is in the process of reviewing a large mixed-use commercial subdivision at the intersection of Route 1 and Madison Street that will contain two (2) hotels, an office building, an assisted living facility, three (3) restaurants and retail. The Town has also been proactive in promoting economic development in areas where it is zoned for such. The Town recently worked closely with the developer of the Madison Street site on a successful application for a \$2.2 million Mass Works grant to upgrade the water line along Route 1 from Thurston Street to the project site. Not only will this enable this project and one Chapter 40B project to move forward, but it will also increase the likelihood of future development along the Route 1 corridor. The Town also applied for and received a \$50,000 grant from the Massachusetts Gaming Commission to conduct a study of the Route 1 corridor in Wrentham. Part of the objective of the study is to determine improvements that can be made to the Town's Zoning By-Laws to enhance the likelihood for development along Route 1. Additionally, the Town received a \$4,000 grant from the Metropolitan Area Planning Council (MAPC) and used it to prepare an economic development brochure that contains various general economic development information as well as specific information on targeted sites that the Town would like to see developed. All of the above will help to increase the Town's residential and commercial tax base.

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

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

The Town has a balanced budget for FY2017 and remains diligent in its efforts to balance the FY2018 budget.

## **Requests for Information**

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

**TOWN OF WRENTHAM, MASSACHUSETTS  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 7,915,740	\$ 3,343,174	\$ 11,258,914
INVESTMENTS	4,062,921	-	4,062,921
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	390,889	-	390,889
TAX LIENS	753,759	-	753,759
MOTOR VEHICLE EXCISE TAXES	148,088	-	148,088
USER FEES	397,971	896,228	1,294,199
DEPARTMENTAL AND OTHER	197,492	-	197,492
INTERGOVERNMENTAL	2,113,713	-	2,113,713
NONCURRENT:			
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
INTERGOVERNMENTAL	593,430	-	593,430
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	34,118,651	10,321,828	44,440,479
<b>TOTAL ASSETS</b>	<b>50,692,654</b>	<b>14,561,230</b>	<b>65,253,884</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
RELATED TO PENSIONS	1,779,570	117,752	1,897,322
<b><u>LIABILITIES</u></b>			
CURRENT:			
ACCOUNTS PAYABLE	2,321,607	130,264	2,451,871
OTHER LIABILITIES	28,368	-	28,368
ACCRUED INTEREST	46,719	10,300	57,019
CAPITAL LEASE PAYABLE	68,877	-	68,877
BONDS AND NOTES PAYABLE	1,946,972	318,155	2,265,127
COMPENSATED ABSENCES	171,280	7,129	178,409
NONCURRENT:			
CAPITAL LEASE PAYABLE	141,894	-	141,894
COMPENSATED ABSENCES	28,008	2,738	30,746
POSTEMPLOYMENT BENEFITS	16,320,679	438,502	16,759,181
NET PENSION LIABILITY	14,424,103	954,424	15,378,527
BONDS AND NOTES PAYABLE	4,121,802	3,477,851	7,599,653
<b>TOTAL LIABILITIES</b>	<b>39,620,309</b>	<b>5,339,363</b>	<b>44,959,672</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
RELATED TO PENSIONS	1,215,619	80,436	1,296,055
<b><u>NET POSITION</u></b>			
NET INVESTMENT IN CAPITAL ASSETS	28,326,106	7,208,006	35,534,112
RESTRICTED FOR:			
STREETS	1,562,137	-	1,562,137
PERMANENT FUNDS:			
EXPENDABLE	126,252	-	126,252
NONEXPENDABLE	256,263	-	256,263
OTHER PURPOSES	5,576,098	-	5,576,098
UNRESTRICTED	(24,210,560)	2,051,177	(22,159,383)
<b>TOTAL NET POSITION</b>	<b>\$ 11,636,296</b>	<b>\$ 9,259,183</b>	<b>\$ 20,895,479</b>

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2016**

<b><u>FUNCTIONS/PROGRAMS</u></b>	<b>PROGRAM REVENUES</b>				<b>NET (EXPENSE) REVENUE</b>
	<b>EXPENSES</b>	<b>CHARGES FOR SERVICES</b>	<b>OPERATING GRANTS AND CONTRIBUTIONS</b>	<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	
<b>PRIMARY GOVERNMENT:</b>					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 1,719,855	\$ 171,980	\$ 255,195	\$ -	\$ (1,292,680)
PUBLIC SAFETY	5,637,362	991,680	291,675	-	(4,354,007)
EDUCATION	22,814,715	888,871	4,407,552	-	(17,518,292)
PUBLIC WORKS	3,334,281	115,406	119,541	-	(3,099,334)
HUMAN SERVICES	723,415	206,107	165,751	-	(351,557)
CULTURE & RECREATION	941,701	250,755	136,886	-	(554,060)
EMPLOYEE BENEFITS	9,787,341	-	1,779,470	-	(8,007,871)
STATE & COUNTY ASSESSMENTS	454,258	-	-	-	(454,258)
INTEREST	247,967	-	-	-	(247,967)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>45,660,895</b>	<b>2,624,799</b>	<b>7,156,070</b>	<b>-</b>	<b>(35,880,026)</b>
BUSINESS-TYPE ACTIVITIES:					
WATER	1,802,827	2,407,348	9,467	102,325	716,313
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 47,463,722</b>	<b>\$ 5,032,147</b>	<b>\$ 7,165,537</b>	<b>\$ 102,325</b>	<b>\$ (35,163,713)</b>

See accompanying notes to the basic financial statements

(continued)

**TOWN OF WRENTHAM, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2016**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>CHANGES IN NET POSITION:</b>			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (35,880,026)	\$ 716,313	\$ (35,163,713)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	29,511,219	-	29,511,219
TAX LIENS	127,961	-	127,961
MOTOR VEHICL EXCISE TAXES	1,996,373	-	1,996,373
PENALTIES AND INTEREST ON TAXES	176,679	-	176,679
PAYMENTS IN LIEU OF TAXES	8,870	-	8,870
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	953,866	-	953,866
UNRESTRICTED INVESTMENT INCOME	51,346	-	51,346
CONTRIBUTIONS TO PERMANENT FUNDS	12,300	-	12,300
MISCELLANEOUS	73,441	-	73,441
TRANSFERS, NET	389,882	(389,882)	-
TOTAL GENERAL REVENUES AND TRANSFERS	33,301,937	(389,882)	32,912,055
CHANGE IN NET POSITION	(2,578,089)	326,431	(2,251,658)
<b>NET POSITION:</b>			
<b>BEGINNING OF YEAR</b>	14,214,385	8,932,752	23,147,137
<b>END OF YEAR</b>	\$ 11,636,296	\$ 9,259,183	\$ 20,895,479

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF WRENTHAM, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016**

<b><u>ASSETS</u></b>	<b><u>GENERAL</u></b>	<b><u>NONMAJOR GOVERNMENTAL FUNDS</u></b>	<b><u>TOTAL GOVERNMENTAL FUNDS</u></b>
CASH AND SHORT-TERM INVESTMENTS	\$ 5,075,459	\$ 2,840,281	\$ 7,915,740
INVESTMENTS	3,325,221	737,700	4,062,921
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	390,889	-	390,889
TAX LIENS	753,759	-	753,759
MOTOR VEHICLE EXCISE TAXES	148,088	-	148,088
USER FEES	-	397,971	397,971
DEPARTMENTAL AND OTHER	-	197,492	197,492
INTERGOVERNMENTAL	909,338	1,797,805	2,707,143
<b>TOTAL ASSETS</b>	<b><u>\$ 10,602,754</u></b>	<b><u>\$ 5,971,249</u></b>	<b><u>\$ 16,574,003</u></b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
LIABILITIES:			
ACCOUNTS PAYABLE	\$ 1,896,299	\$ 425,308	\$ 2,321,607
OTHER LIABILITIES	28,368	-	28,368
NOTES PAYABLE	-	487,000	487,000
<b>TOTAL LIABILITIES</b>	<b><u>1,924,667</u></b>	<b><u>912,308</u></b>	<b><u>2,836,975</u></b>
DEFERRED INFLOWS OF RESOURCES:			
UNAVAILABLE REVENUE	1,918,534	2,157,600	4,076,134
FUND BALANCES:			
NONSPENDABLE	-	256,263	256,263
RESTRICTED	-	2,904,940	2,904,940
COMMITTED	84,114	-	84,114
ASSIGNED	2,377,695	-	2,377,695
UNASSIGNED	4,297,744	(259,862)	4,037,882
<b>TOTAL FUND BALANCES</b>	<b><u>6,759,553</u></b>	<b><u>2,901,341</u></b>	<b><u>9,660,894</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 10,602,754</u></b>	<b><u>\$ 5,971,249</u></b>	<b><u>\$ 16,574,003</u></b>

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, 2016**

	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 29,790,898	\$ -	\$ 29,790,898
MOTOR VEHICLE EXCISE TAXES	1,922,614	-	1,922,614
PENALTIES AND INTEREST ON TAXES	173,994	-	173,994
INTERGOVERNMENTAL CHARGES FOR SERVICES	7,071,849	1,079,471	8,151,320
INVESTMENT INCOME	51,346	(5,257)	46,089
CONTRIBUTIONS & DONATIONS	-	161,560	161,560
DEPARTMENTAL AND OTHER	1,120,985	60,003	1,180,988
<b>TOTAL REVENUES</b>	<b>40,131,686</b>	<b>2,984,889</b>	<b>43,116,575</b>
<b>EXPENDITURES:</b>			
CURRENT:			
GENERAL GOVERNMENT	1,578,695	22,581	1,601,276
PUBLIC SAFETY	5,126,237	247,351	5,373,588
EDUCATION	20,971,754	1,675,504	22,647,258
PUBLIC WORKS	2,724,541	147,758	2,872,299
HUMAN SERVICES	375,328	335,215	710,543
CULTURE & RECREATION	468,118	353,500	821,618
EMPLOYEE BENEFITS	7,254,503	-	7,254,503
STATE & COUNTY ASSESSMENTS	454,258	-	454,258
DEBT SERVICE			
PRINCIPAL	1,524,972	-	1,524,972
INTEREST	258,166	-	258,166
<b>TOTAL EXPENDITURES</b>	<b>40,736,572</b>	<b>2,781,909</b>	<b>43,518,481</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(604,886)</b>	<b>202,980</b>	<b>(401,906)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
OPERATING TRANSFERS IN	830,040	394,214	1,224,254
OPERATING TRANSFERS OUT	(394,214)	(440,158)	(834,372)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>435,826</b>	<b>(45,944)</b>	<b>389,882</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(169,060)</b>	<b>157,036</b>	<b>(12,024)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>6,928,613</b>	<b>2,744,305</b>	<b>9,672,918</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 6,759,553</b>	<b>\$ 2,901,341</b>	<b>\$ 9,660,894</b>

See accompanying notes to the basic financial statements

TOWN OF WRENTHAM, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016

<b>TOTAL GOVERNMENTAL FUND BALANCES</b>		\$ 9,660,894
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		34,118,651
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		4,076,134
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(46,719)
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	(5,581,774)	
NET PENSION LIABILITY	(14,424,103)	
DEFERRED OUTFLOWS OF RESOURCES	1,779,570	
DEFERRED INFLOWS OF RESOURCES	(1,215,619)	
CAPITAL LEASE PAYABLE	(210,771)	
OTHER POSTEMPLOYMENT BENEFITS (OPEB)	(16,320,679)	
COMPENSATED ABSENCES	<u>(199,288)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(36,172,664)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 11,636,296</u></b>

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, 2016**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ (12,024)

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.

CAPITAL OUTLAY	589,838
DEPRECIATION EXPENSE	<u>(1,816,025)</u>

NET EFFECT OF REPORTING CAPITAL ASSETS (1,226,187)

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

(423,651)

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.

CAPITAL LEASE PAYMENTS	81,440
DEBT SERVICE PRINCIPAL PAYMENTS	<u>1,524,972</u>

NET EFFECT OF REPORTING LONG-TEM DEBT 1,606,412

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.

NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	(1,731,790)
NET CHANGE IN DEFERRED OUTFLOWS OF RESOURCES	1,214,310
NET CHANGE IN DEFERRED INFLOWS OF RESOURCES	(1,215,619)
NET CHANGE IN NET PENSION LIABILITY	(735,758)
NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	(63,981)
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>10,199</u>

NET EFFECT OF RECORDING LONG-TERM LIABILITIES (2,522,639)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ (2,578,089)

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, 2016**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE OVER(UNDER)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<b>REVENUES:</b>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 29,462,245	\$ 29,462,245	\$ 29,790,898	\$ 328,653
MOTOR VEHICLE EXCISE TAXES	1,461,000	1,461,000	1,922,614	461,614
PENALTIES & INTEREST ON TAXES	110,000	110,000	173,994	63,994
INTERGOVERNMENTAL	5,247,504	5,247,504	5,288,828	41,324
INVESTMENT INCOME	25,000	25,000	32,699	7,699
DEPARTMENTAL AND OTHER	762,650	762,650	1,120,985	358,335
<b>TOTAL REVENUES</b>	<u>37,068,399</u>	<u>37,068,399</u>	<u>38,330,018</u>	<u>1,261,619</u>
<b>EXPENDITURES:</b>				
CURRENT:				
GENERAL GOVERNMENT	1,948,332	1,765,016	1,578,373	186,643
PUBLIC SAFETY	5,208,242	5,208,242	5,126,238	82,004
EDUCATION	21,046,022	21,046,022	21,027,897	18,125
PUBLIC WORKS	2,749,946	2,904,946	2,687,203	217,743
HUMAN SERVICES	362,994	391,975	375,328	16,647
CULTURE & RECREATION	474,870	474,870	468,118	6,752
EMPLOYEE BENEFITS	5,576,356	5,576,356	5,471,867	104,489
STATE & COUNTY ASSESSMENTS	467,505	467,505	454,258	13,247
DEBT SERVICE:				
PRINCIPAL	1,524,972	1,524,972	1,524,972	-
INTEREST	264,532	264,532	254,403	10,129
<b>TOTAL EXPENDITURES</b>	<u>39,623,771</u>	<u>39,624,436</u>	<u>38,968,657</u>	<u>655,779</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,555,372)</u>	<u>(2,556,037)</u>	<u>(638,639)</u>	<u>1,917,398</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
OPERATING TRANSFERS IN	829,970	829,970	830,040	70
OPERATING TRANSFERS OUT	(269,210)	(269,210)	(269,214)	(4)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>560,760</u>	<u>560,760</u>	<u>560,826</u>	<u>66</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,994,612)</u>	<u>(1,995,277)</u>	<u>(77,813)</u>	<u>1,917,464</u>
<b>BUDGETARY FUND BALANCE, BEGINNING OF YEAR</b>	<u>4,229,910</u>	<u>4,229,910</u>	<u>4,229,910</u>	<u>-</u>
<b>BUDGETARY FUND BALANCE, END OF YEAR</b>	<u>\$ 2,235,298</u>	<u>\$ 2,234,633</u>	<u>\$ 4,152,097</u>	<u>\$ 1,917,464</u>

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 JUNE 30, 2016**

	<b>BUSINESS-TYPE ACTIVITIES</b>
<b><u>ASSETS</u></b>	<b>WATER ENTERPRISE FUND</b>
CURRENT:	
CASH AND SHORT-TERM INVESTMENTS	\$ 3,343,174
USER FEES	896,228
TOTAL CURRENT ASSETS	4,239,402
NONCURRENT:	
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	10,321,828
<b>TOTAL ASSETS</b>	<b>14,561,230</b>
DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS	117,752
 <b><u>LIABILITIES</u></b>	
CURRENT:	
ACCOUNTS PAYABLE	130,264
ACCRUED INTEREST	10,300
BONDS AND NOTES PAYABLE	318,155
COMPENSATED ABSENCES	7,129
TOTAL CURRENT LIABILITIES	465,848
NONCURRENT:	
COMPENSATED ABSENCES	2,738
OTHER POSTEMPLOYMENT BENEFITS	438,502
NET PENSION LIABILITY	954,424
BONDS AND NOTES PAYABLE	3,477,851
TOTAL NONCURRENT LIABILITIES	4,873,515
<b>TOTAL LIABILITIES</b>	<b>5,339,363</b>
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS	80,436
 <b><u>NET POSITION</u></b>	
NET INVESTMENT IN CAPITAL ASSETS UNRESTRICTED	7,208,006 2,051,177
<b>TOTAL NET POSITION</b>	<b>\$ 9,259,183</b>

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS  
 PROPRIETARY FUND  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FISCAL YEAR ENDED JUNE 30, 2016**

	<b>BUSINESS-TYPE ACTIVITIES</b>
	<b>WATER ENTERPRISE FUND</b>
<b><u>OPERATING REVENUES:</u></b>	
CHARGES FOR SERVICES	\$ 2,407,348
<b><u>OPERATING EXPENSES:</u></b>	
GENERAL SERVICES	1,192,432
DEPRECIATION	458,491
TOTAL OPERATING EXPENSES	1,650,923
OPERATING INCOME (LOSS)	756,425
<b><u>NON-OPERATING REVENUES (EXPENSES):</u></b>	
INTERGOVERNMENTAL	102,325
INTEREST INCOME	9,467
INTEREST EXPENSE	(151,904)
TOTAL NON-OPERATING REVENUES (EXPENSES), NET (LOSS)	(40,112)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	716,313
<b><u>OPERATING TRANSFERS:</u></b>	
OPERATING TRANSFERS OUT	(389,882)
<b>CHANGE IN NET POSITION</b>	326,431
<b>NET POSITION AT BEGINNING OF YEAR</b>	8,932,752
<b>NET POSITION AT END OF YEAR</b>	\$ 9,259,183

See accompanying notes to the basic financial statements

TOWN OF WRENTHAM, MASSACHUSETTS  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS  
 FISCAL YEAR ENDED JUNE 30, 2016

	BUSINESS-TYPE ACTIVITIES
	WATER ENTERPRISE FUND
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>	
RECEIPTS FROM CUSTOMERS AND USERS	\$ 2,314,349
PAYMENTS TO SUPPLIERS	(514,410)
PAYMENTS TO EMPLOYEES	(538,275)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,261,664
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>	
OPERATING TRANSFERS OUT	(389,882)
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>	
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(264,844)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(23,086)
INTEREST EXPENSE	(93,465)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(381,395)
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>	
INTEREST RECEIVED	9,467
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	499,854
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	2,843,320
CASH AND SHORT TERM INVESTMENTS- END OF YEAR	\$ 3,343,174
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS)</u></b>	
<b><u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u></b>	
OPERATING INCOME (LOSS)	\$ 756,425
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)	
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
DEPRECIATION	458,491
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(92,998)
(INCREASE) DECREASE IN DEFERRED OUTFLOWS OF RESOURCES	(80,350)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	46,657
INCREASE (DECREASE) IN DEFERRED INFLOWS OF RESOURCES	80,436
INCREASE (DECREASE) IN COMPENSATED ABSENCES	(1,031)
INCREASE (DECREASE) IN POSTEMPLOYMENT BENEFITS	45,350
INCREASE (DECREASE) IN NET PENSION LIABILITY	48,684
TOTAL ADJUSTMENTS	505,239
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,261,664

See accompanying notes to the basic financial statements

**TOWN OF WRENTHAM, MASSACHUSETTS  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2016**

	<b><u>AGENCY FUNDS</u></b>
<b><u>ASSETS</u></b>	
CASH AND SHORT-TERM INVESTMENTS	<u>\$ 451,950</u>
<b><u>LIABILITIES</u></b>	
ACCOUNTS PAYABLE	41,032
OTHER LIABILITIES	<u>410,918</u>
TOTAL LIABILITIES	<u>451,950</u>
<b><u>NET POSITION</u></b>	<u><u>\$ -</u></u>

**See accompanying notes to the basic financial statements**

**TOWN OF WRENTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**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	\$ 9,291,592
Tri-County Regional Vocational-Technical High School	To provide vocational education	147 Pond Street Franklin, MA 02038	\$ 939,391

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 36.30% in the joint venture.

**TOWN OF WRENTHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**B. Government-Wide and Fund Financial Statements**

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

*Major Fund Criteria*

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

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

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

Fiduciary funds are reported by fund type.

**TOWN OF WRENTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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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 leases, net pension liability, and other postemployment benefits (**OPEB**) which are recognized when the obligations are expected to be liquidated with current expendable available resources.

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



**TOWN OF WRENTHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

The Town reports the following major governmental funds:

- The *General fund* is the primary operating fund of the Town. It is used to account for all financial resources, except those that are required to be accounted for in another fund.
- The *Nonmajor Governmental funds* consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:
  - The *Special Revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
  - The *Capital Projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and trust funds).
  - 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**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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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. Fair Value Measurements**

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds. Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 3 – Fair Market Value of Investments.

**TOWN OF WRENTHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**F. 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.

*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.

**TOWN OF WRENTHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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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 septic receivables and are recorded as receivables in the fiscal year accrued.

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

*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.

**G. 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.

**H. 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.

**TOWN OF WRENTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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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.

**I. Interfund Receivables and Payables**

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**J. 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.

**TOWN OF WRENTHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**K. Deferred Outflows/Inflows of Resources**

*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town reported deferred outflows of resource related to pensions in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town reported deferred inflows of resource related to pensions in this category.

*Governmental Funds Financial Statements*

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

**L. Net Position and Fund Equity**

*Government-Wide Financial Statements (Net Position)*

Net position are classified into three components:

- a. *Net investment in capital assets* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**TOWN OF WRENTHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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- b. *Restricted net position* – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Net position have been “restricted” for the following:

- *Streets* represent amounts committed by the Commonwealth of Massachusetts for the repair and/or construction of streets.
  - *Permanent funds – expendable* represents amounts held in trust for which the expenditures are restricted by various trust agreements.
  - *Permanent funds – nonexpendable* represents amounts held in trust for which only investment earnings may be expended.
  - *Other specific purposes* represent restrictions placed on assets from outside parties.
- c. *Unrestricted net position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

*Fund Financial Statements (Fund Balances)*

The Town uses the following criteria for fund balance classification:

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

**TOWN OF WRENTHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**M. Long-term debt**

*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

**N. 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).

**O. Compensated Absences**

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

*Government-Wide and Proprietary Fund Financial Statements*

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

*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, 2016 is recorded in the governmental fund financial statement.



**TOWN OF WRENTHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**P. Net Pension Liability**

Governmental Accounting Standards Board (GASB) Statement #68 requires employers participating in a cost-sharing pension plan to recognize pension liabilities as employees provide services to the government and earn their pension benefits. Employers participating in cost-sharing plans are required to recognize their proportionate share of the plan's collective pension amounts for all benefits provided through the plan including the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

**Q. 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.

**R. 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.

**S. 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  
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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 2016 approved budget authorized \$39,465,065 in current year appropriations and other amounts to be raised and \$158,706 in carryover articles carried over from previous fiscal years. Supplemental appropriation of \$665 was approved at one Town Meeting for fiscal year 2016.

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, 2016, is presented below:

Net change in fund balance - budgetary basis	\$ (77,813)
Basis of accounting differences:	
Net Stabilization fund activity	(106,353)
Adjustment for current year encumbrances	226,613
Increase in revenue for the MWPAT subsidy	3,763
Increase in expenditures for the MWPAT subsidy	(3,763)
Increase in revenue for on-behalf payments - MTRS	1,779,258
Increase in expenditures for on-behalf payments - MTRS	(1,779,258)
Adjustment for expenditures from prior year encumbrances	<u>(211,507)</u>
Net change in fund balance - GAAP basis	<u><u>\$ (169,060)</u></u>

**TOWN OF WRENTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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*C. Deficit Fund Balances*

Several individual fund deficits exist within the special revenue and capital projects funds. These individual deficits will be eliminated through subsequent fiscal year budget transfers, grants and/or proceeds of long term debt during fiscal year 2017.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

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

*Deposits*

- *Custodial Credit Risk – Deposits*

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

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

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

The following table illustrates how much of the Town’s bank deposits are insured, and how much of the Town’s bank deposits are uninsured and uncollateralized as of June 30, 2016:

Total bank balances		<u>\$ 12,625,937</u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	2,428,226	
Depositors Insurance Fund (DIF)	3,434,710	
Share Insurance Fund (SIF)	<u>1,254,807</u>	
Total bank balances covered by deposit insurance		7,117,743
Balances subject to custodial credit risk		
Bank balances uninsured & uncollateralized	<u>5,508,194</u>	
Total bank balances subject to custodial credit risk		<u>5,508,194</u>
Total bank balances		<u>\$ 12,625,937</u>

**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	\$ 2,962,176	N/A	\$ 2,962,176	\$ -
Money Market Mutual Funds	58,719	N/A	-	58,719
Fixed Income Mutual Fund	16,149	N/A	-	16,149
Certificate of Deposit	1,000,000	N/A	-	1,000,000
Common stock	25,877	N/A	-	25,877
<b>Total Investments</b>	<b>\$ 4,062,921</b>		<b>\$ 2,962,176</b>	<b>\$ 1,100,745</b>

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

- *Custodial Credit Risk*

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

**TOWN OF WRENTHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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The Town does not have an investment policy for custodial credit risk.

- *Interest Rate Risk*

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

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

Investment type	Fair value	Investment maturities (in years)	
		Less than 1	1-5
<b><i>Debt Related Securities:</i></b>			
Fixed Income Mutual	\$ 16,149	\$ -	\$ 16,149
Certificate Deposit	1,000,000	-	1,000,000
U.S. Government & Agency	2,962,176	626,832	2,335,344
Total - Debt related securities	<u>3,978,325</u>	<u>626,832</u>	<u>3,351,493</u>
<b><i>Other Investments:</i></b>			
Money Market Mutual Funds	58,719	58,719	-
Common Stock	25,877	25,877	-
Total Other Investments	<u>84,596</u>	<u>84,596</u>	<u>-</u>
Total Investments	<u>\$ 4,062,921</u>	<u>\$ 711,428</u>	<u>\$ 3,351,493</u>

- *Concentration of Credit Risk*

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

*Fair Market Value of Investments*

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by the major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**TOWN OF WRENTHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

The Town has the following recurring fair value measurement as of June 30, 2016.

Investment Type	June 30, 2016	Fair Value Measurements Using		
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Debt securities</b>				
U.S. Government and Agency	\$ 2,962,176	\$ 2,962,176	\$ -	\$ -
Certificates of Deposit	1,000,000	1,000,000	-	-
Fixed Income Mutual Funds	16,149	-	16,149	-
Total debt securities	3,978,325	3,962,176	16,149	-
<b>Other Investments</b>				
Common Stock	25,877	25,877	-	-
Money Market Mutual Funds	58,719	58,719	-	-
Total other investments	84,596	84,596	-	-
Total investments measured at fair value	4,062,921	\$ 4,046,772	\$ 16,149	\$ -
<b>Investments measured at amortized cost</b>				
Massachusetts Municipal Depository Trust - (MMDT)	522,336			
<b>Total Investments</b>	\$ 4,585,257			

U.S. Government and Agency, Common Stock, Certificates of Deposit and Money Market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income mutual funds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

Massachusetts Municipal Depository Trust (MMDT) investments are valued at amortized cost. Under the amortized cost method an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

**TOWN OF WRENTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 4 – RECEIVABLES**

The receivables at June 30, 2016 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	\$ 432,089	\$ (41,200)	\$ 390,889
Tax liens	753,759	-	753,759
Motor vehicle and other excise taxes	250,677	(102,589)	148,088
Departmental and other	197,492	-	197,492
User fees	997,971	(600,000)	397,971
Intergovernmental	2,707,143	-	2,707,143
<b>Total</b>	<b>\$ 5,339,131</b>	<b>\$ (743,789)</b>	<b>\$ 4,595,342</b>

The Water Enterprise fund receivables as of June 30, 2016 consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
Water - User Fees	\$ 896,228	\$ -	\$ 896,228

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

Deferred Inflows of Resources Analysis			
Deferred Inflows	General Fund	Nonmajor Governmental Funds	Total
Deferred property taxes	\$ 870,040	\$ -	\$ 870,040
Deferred other revenue	148,088	595,463	743,551
Deferred intergovernmental revenue	900,406	1,562,137	2,462,543
<b>Unavailable Revenue</b>	<b>\$ 1,918,534</b>	<b>\$ 2,157,600</b>	<b>\$ 4,076,134</b>

**TOWN OF WRENTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

<b>Governmental Activities:</b>	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,631,656	\$ -	\$ -	\$ 4,631,656
Construction in progress	677,116	246,569	(409,507)	514,178
Total capital assets not being depreciated	<u>5,308,772</u>	<u>246,569</u>	<u>(409,507)</u>	<u>5,145,834</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	34,298,202	-	270,000	34,568,202
Capital Improvements (other than buildings)	2,341,471	122,222	45,573	2,509,266
Machinery and equipment	1,452,315	(60,934)	25,688	1,417,069
Vehicles	4,213,648	199,992	(54,420)	4,359,220
Software	183,249	30,000	-	213,249
Infrastructure	12,503,789	51,989	-	12,555,778
Total capital assets being depreciated	<u>54,992,674</u>	<u>343,269</u>	<u>286,841</u>	<u>55,622,784</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(13,166,363)	(867,350)	-	(14,033,713)
Capital Improvements (other than buildings)	(1,000,947)	(84,939)	-	(1,085,886)
Machinery and equipment	(1,234,375)	(63,961)	68,246	(1,230,090)
Vehicles	(2,706,537)	(316,153)	54,420	(2,968,270)
Software	(133,798)	(23,530)	-	(157,328)
Infrastructure	(6,714,588)	(460,092)	-	(7,174,680)
Total accumulated depreciation	<u>(24,956,608)</u>	<u>(1,816,025)</u>	<u>122,666</u>	<u>(26,649,967)</u>
Total capital assets being depreciated, net	<u>30,036,066</u>	<u>(1,472,756)</u>	<u>409,507</u>	<u>28,972,817</u>
Total governmental activities capital assets, net	<u>\$ 35,344,838</u>	<u>\$ (1,226,187)</u>	<u>\$ -</u>	<u>\$ 34,118,651</u>



**TOWN OF WRENTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

<b>Business-Type Activities:</b>	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 645,101	\$ -	\$ -	\$ 645,101
Construction in Progress	1,033,090	23,086	(1,056,176)	-
Total capital assets not being depreciated	1,678,191	23,086	(1,056,176)	645,101
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	104,000	-	-	104,000
Plant in service	7,385,403	-	238,360	7,623,763
Machinery & Equipment	149,333	-	-	149,333
Vehicles	486,891	-	-	486,891
Infrastructure	6,461,958	-	817,816	7,279,774
Total capital assets being depreciated	14,587,585	-	1,056,176	15,643,761
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(77,021)	(1,250)	-	(78,271)
Plant in service	(2,352,228)	(254,303)	-	(2,606,531)
Machinery & Equipment	(61,709)	(11,683)	-	(73,392)
Vehicles	(212,390)	(35,815)	-	(248,205)
Infrastructure	(2,805,195)	(155,440)	-	(2,960,635)
Total accumulated depreciation	(5,508,543)	(458,491)	-	(5,967,034)
Total capital assets being depreciated, net	9,079,042	(458,491)	1,056,176	9,676,727
Total business-type activities capital assets, net	\$ 10,757,233	\$ (435,405)	\$ -	\$ 10,321,828

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

<b>Governmental Activities:</b>	
General government	\$ 150,508
Public safety	434,849
Education	468,289
Public works	613,424
Human services	12,872
Culture and recreation	136,083
Total depreciation expense - governmental activities	\$ 1,816,025
<b>Business-Type Activities:</b>	
Water	\$ 458,491

**TOWN OF WRENTHAM, MASSACHUSETTS  
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JUNE 30, 2016**

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**NOTE 6 – CAPITAL LEASES**

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

The assets acquired through the capital leases are as follows:

	Governmental Activities
Assets:	
Vehicles	\$ 555,932
Less: Accumulated depreciation	(108,636)
	\$ 447,296

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2016, are as follows:

Year Ending June 30	Governmental Activities
2017	\$ 73,072
2018	73,072
2019	73,071
Total minimum lease payments	219,215
Less: amount representing interest	(8,444)
Present value of minimum lease payments	\$ 210,771

**TOWN OF WRENTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2016, are summarized as follows:

<u>Operating Transfers Out:</u>	<u>Operating Transfers In:</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total</u>
Nonmajor Governmental Funds	\$ 440,158	\$ -	\$ 440,158 (1)
Water Enterprise Fund	389,882	-	389,882 (1)
General Fund	-	394,214	394,214 (2)
 Total	 <u>\$ 830,040</u>	 <u>\$ 394,214</u>	 <u>\$ 1,224,254</u>

- 1) Represents various budgeted transfers to supplement the operating budget.
- 2) Represents other budget transfers to the nonmajor governmental 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. Interest expenditures for short-term borrowings are accounted for in the sewer enterprise fund.

The following is a summary of changes in short-term debt for the year ended June 30, 2016:

<u>Type</u>	<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2015</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2016</u>
State House Note	Multipurpose	0.85%	6/30/2017	\$ -	\$ 487,000	\$ -	\$ 487,000

**TOWN OF WRENTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**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, 2016:

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Multi-Purpose	4.08	\$ 975,000	\$ -	\$ 285,000	\$ 690,000
Public Safety Building	3.11	1,710,000	-	570,000	1,140,000
Title V septage	Var	80,240	-	9,972	70,268
Multi-Purpose	3.60	1,755,000	-	355,000	1,400,000
Title V septage	-	74,212	-	6,747	67,465
Multi-Purpose	Var	1,745,000	-	220,000	1,525,000
Title V septage	-	42,294	-	3,253	39,041
Multi-Purpose	2.50	725,000	-	75,000	650,000
<b>Total</b>		<u>\$ 7,106,746</u>	<u>\$ -</u>	<u>\$ 1,524,972</u>	<u>\$ 5,581,774</u>

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2016 are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 1,459,972	\$ 200,046	\$ 1,660,018
2018	1,384,972	145,922	1,530,894
2019	809,972	92,775	902,747
2020	579,972	59,640	639,612
2021	229,972	44,969	274,941
2022-2026	1,035,406	103,676	1,139,082
2027-2029	81,508	4,500	86,008
<b>Total</b>	<u>\$ 5,581,774</u>	<u>\$ 651,528</u>	<u>\$ 6,233,302</u>

**TOWN OF WRENTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Bonds and Notes Payable Schedule - Water Enterprise Fund**

Project	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
MWPAT Water	Var	\$ 1,795,000	\$ -	\$ 170,000	\$ 1,625,000
MWPAT Water	-	44,161	-	3,155	41,006
Water Mains	3.47	840,000	-	60,000	780,000
Water Mains	3.5	<u>1,425,000</u>	<u>-</u>	<u>75,000</u>	<u>1,350,000</u>
<b>Total</b>		<u><u>\$ 4,104,161</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 308,155</u></u>	<u><u>\$ 3,796,006</u></u>

The annual debt service requirements for principal and interest for water enterprise fund bonds and notes outstanding at June 30, 2016 are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 318,155	\$ 139,778	\$ 457,933
2018	323,155	125,260	448,415
2019	328,155	111,061	439,216
2020	333,155	99,138	432,293
2021	338,154	85,906	424,060
2022-2026	1,325,770	240,713	1,566,483
2027-2031	604,462	98,500	702,962
2032-2034	<u>225,000</u>	<u>15,750</u>	<u>240,750</u>
<b>Total</b>	<u><u>\$ 3,796,006</u></u>	<u><u>\$ 916,106</u></u>	<u><u>\$ 4,712,112</u></u>

**Loans Authorized and Unissued**

As of June 30, 2016, the Town has loans authorized and unissued as follows:

Description	Date Authorized	Amount
Delaney - Vogel School Roof	6/13/2016	<u><u>\$ 1,795,475</u></u>

**TOWN OF WRENTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 \$296,715 from scheduled annual payments in FY2016 from the MSBA for completed school construction projects.

**Changes in Long-term Liabilities**

The following is a summary of changes in long-term liabilities for the fiscal year ended June 30, 2016:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds and notes payable	\$ 7,106,746	\$ -	\$ (1,524,972)	\$ 5,581,774	\$ 1,459,972
Capital leases	292,211	-	(81,440)	210,771	68,877
Compensated absences	135,307	63,981	-	199,288	171,280
Net pension liability	13,688,345	735,758	-	14,424,103	-
Other postemployment benefits	14,588,889	1,731,790	-	16,320,679	-
<b>Total governmental activities long-term liabilities</b>	<b><u>\$ 35,811,498</u></b>	<b><u>\$ 2,531,529</u></b>	<b><u>\$ (1,606,412)</u></b>	<b><u>\$ 36,736,615</u></b>	<b><u>\$ 1,700,129</u></b>
<u>Business-Type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds and notes payable	\$ 4,104,161	\$ -	\$ (308,155)	\$ 3,796,006	\$ 318,155
Compensated absences	10,897	-	(1,030)	9,867	7,129
Net pension liability	905,740	48,684	-	954,424	-
Other postemployment benefits	393,152	45,350	-	438,502	-
<b>Total business-type activities long-term liabilities</b>	<b><u>\$ 5,413,950</u></b>	<b><u>\$ 94,034</u></b>	<b><u>\$ (309,185)</u></b>	<b><u>\$ 5,198,799</u></b>	<b><u>\$ 325,284</u></b>

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

**TOWN OF WRENTHAM, MASSACHUSETTS  
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**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, 2016:

<u>Agency</u>	<u>Total Long- Term Debt Outstanding</u>	<u>Town's Estimated Share</u>	<u>Town's Indirect Debt</u>
King Philip Regional School District Bonds	\$ 14,371,473	36.30%	\$ 5,216,845
Norfolk County Bonds	<u>11,830,000</u>	1.550%	<u>183,365</u>
	<u>\$ 26,201,473</u>		<u>\$ 5,400,211</u>

**TOWN OF WRENTHAM, MASSACHUSETTS  
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**NOTE 10 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

	General Fund	Nonmajor Governmental Funds	Total
<b>Fund Balances</b>			
<b>Nonspendable:</b>			
Permanent Fund Principal	\$ -	\$ 256,263	\$ 256,263
<b>Restricted For:</b>			
General Government	-	161,458	161,458
Public Safety	-	957,944	957,944
Education	-	812,521	812,521
Public Works	-	191,208	191,208
Human Services	-	309,703	309,703
Culture & Recreation	-	200,084	200,084
Sweatt Fund	-	145,770	145,770
Expendable Trust Funds	-	126,252	126,252
	-	2,904,940	2,904,940
<b>Committed To:</b>			
Continuing Appropriations			
General Government	82,008	-	82,008
Public Safety	2,106	-	2,106
	84,114	-	84,114
<b>Assigned To:</b>			
<b>Encumbered For:</b>			
General Government	6,450	-	6,450
Education	228,314	-	228,314
Public Works	9,800	-	9,800
Capital Stabilization Fund	547,212	-	547,212
Reserved for subsequent years expenditures	1,585,919	-	1,585,919
	2,377,695	-	2,377,695
<b>Unassigned</b>			
General Fund	2,519,735	-	2,519,735
General Stabilization Fund	1,778,009	-	1,778,009
<b>Nonmajor Governmental Funds</b>			
Public Safety	-	(130,232)	(130,232)
Public Works	-	(6,830)	(6,830)
<b>Capital Projects</b>			
Human Services	-	(106,800)	(106,800)
Culture and Recreation	-	(16,000)	(16,000)
	4,297,744	(259,862)	4,037,882
<b>Total Governmental Fund Balances</b>	\$ 6,759,553	\$ 2,901,341	\$ 9,660,894



**TOWN OF WRENTHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 11 – STABILIZATION FUNDS**

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

- *The Stabilization Fund* is used to account for any appropriation, as approved by a 2/3 vote at the annual or special town meeting for additions or reductions to the fund. Any interest shall be added to and become part of the fund. The Stabilization fund balance is \$1,778,009 as of June 30, 2016. The fund was established under chapter 40, sub-section 5B of the Massachusetts General Law.
- *The Capital Improvements Stabilization Fund* is used to account for appropriations funding the acquisition, repair, replacement, extension, reconstruction, enlarging and/or additions to capital equipment, vehicles, and apparatus of the Town and pay notes, bonds, or certificates of indebtedness issued to pay for the cost of such acquisition, repair, replacement, extension, reconstruction, enlarging and additions. The Capital Improvements Stabilization fund balance is \$547,212 as of June 30, 2016. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established under Chapter 40 sub-section 5B of MGL.

**NOTE 12 – RISK FINANCING**

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

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

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 2016.

The Town is a member of the West Suburban Health Group, which is a Massachusetts Municipal Health Insurance joint purchase group. The group includes ten Towns, one school district, one vocational school and one educational collaborative 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) plans, Fallon Health Select Care and Direct Care EPO plans, Harvard Pilgrim Health Care (HPHC) EPO plans and Preferred Provider Organization (PPO) plan, and Tufts Health Plan EPO plan. Each of the EPO plans is offered at two plan design levels, i.e. Rate Saver and Benchmark plan designs. The Group also offers two Medicare plans that are self-funded for medical claims and fully insured for pharmacy claims through Medicare Prescription Drug Plans (PDPs). These are BCBSMA Medex 2 with Blue Medicare Rx PDP and HPHC Medicare Enhance with Aetna PDP.

**TOWN OF WRENTHAM, MASSACHUSETTS  
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The Group offers the following health plans on a fully insured basis: BCBSMA Managed Blue for Seniors, Fallon Senior Plan, Tufts Medicare Prime Supplement, and Tufts Medicare Preferred HMO.

As of June 30, 2016, the West Suburban Health Group had \$18,569,426 in assets and \$12,332,457 in liabilities. The net position were \$6,236,969.

**NOTE 13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

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

**Funding Policy.** The contribution requirements of plan members and the Town are established and may be amended by local by-law. The required contribution is based on projected pay-as-you-go financing requirements. For Fiscal Year 2016, the estimated total Town premiums plus implicit costs for the retiree medical program are \$945,944.

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

Annual required contribution	\$ 2,633,093
Interest on net OPEB obligation	599,282
Adjustment to annual required contribution (ARC)	<u>(509,291)</u>
Annual OPEB cost (expense)	2,723,084
Contributions made	<u>(945,944)</u>
Increase in net OPEB obligation	1,777,140
Net OPEB obligation - beginning of year	<u>14,982,041</u>
Net OPEB obligation - end of year	<u><u>\$ 16,759,181</u></u>

**TOWN OF WRENTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
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The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the seven 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
6/30/2012	\$ 3,162,983	28.50%	\$ 2,261,685	\$ 8,705,723
6/30/2013	\$ 3,336,357	30.48%	\$ 2,319,584	\$ 11,025,307
6/30/2014	\$ 2,770,690	29.82%	\$ 1,943,242	\$ 12,968,549
6/30/2015	\$ 2,930,319	31.29%	\$ 2,013,492	\$ 14,982,041
6/30/2016	\$ 2,723,084	34.74%	\$ 1,777,140	\$ 16,759,181

**Funded Status and Funding Progress.** As of June 30, 2015, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$34.580 million, and the actuarial value of assets was \$0.0, resulting in an unfunded actuarial accrued liability (UAAL) of \$34.580 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14.081 million, and the ratio of the UAAL to the covered payroll was 245.6%.

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.

**TOWN OF WRENTHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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In the June 30, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, the normal cost and actuarial liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ration of past service to total service. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.70% percent graded down to 5.00% over five years. Both rates included a 4.0% inflation assumption. The actuarial value of assets was determined using market value. The UAAL is being amortized as a level dollar amount over 30 years at transition. The remaining amortization period at July 1, 2016, was 22 years.

**NOTE 14 – PENSION PLANS**

*A. Plan Descriptions*

The Town is a member of the Norfolk County Contributory Retirement System (The System), a multiple-employer, cost sharing contributory defined benefit pension plan covering eligible employees of the 41 member units deemed eligible by the system. Chapter 32 of the Massachusetts General Law assigns authority to establish and amend benefit provisions of the system. 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 issues a publically available audited financial report that may be obtained by contacting the system's executive director at 480 Neponset Street, Building #15, Canton, Massachusetts 02021. The report can also be obtained online at [www.norfolkcountyretirement.org](http://www.norfolkcountyretirement.org). The MTRS issues a publically available audited financial report that may be obtained by contacting MTRS at One Charles Park, Cambridge, Massachusetts 02142-1206.

**B. Benefits Provided**

The System and MTRS provide retirement, disability and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service. There are three classes of membership in the retirement system: group 1, group 2, and group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consist of positions that have even been specified as hazardous. Lastly, group 4 consist of police officers, firefighters, and other hazardous positions.

**TOWN OF WRENTHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service if hired after 1978 and if classified in groups 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service in group 1, 50 years of age with 10 years of service if in group 2 and 55 years of age if hired prior to 1978 or if classified in group 4. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not disability is work related, the employees age, years of creditable service, level of compensation, veterans' status and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, with at least ten years of creditable service, such employees are entitled to receive one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of living adjustments granted through June 30, 1998, and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited in to the pension fund. Cost-of-living adjustments granted subsequent to June 30, 1998 must be approved by the system and all costs are borne by the system.

### **C. Contributions**

#### *Norfolk County Contributory Retirement System*

Chapter 32 of MGL governs the contributions of plan members and member employees. Active plan members are required to contribute to the system at rates ranging from 5 to 9% of their gross compensation. Members joining the system after January 1, 1979 must contribute an additional 2% on regular compensation earnings at a rate in excess of \$30,000. The rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the system, a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution for the year ended June 30, 2016 which was \$1,422,787 and 18.38% of covered payroll, actuarially determined as an amount that when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

**TOWN OF WRENTHAM, MASSACHUSETTS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2016**

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**Massachusetts Teachers' Retirement System**

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). Plan members (at varying rates of annual covered compensation) and the Commonwealth of Massachusetts fund contributes to the MTRS. The Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth of Massachusetts, and thus the Town is not required to contribute. The Commonwealth of Massachusetts contributed "on-behalf" payments to the MTRS totaling \$1,779,258 for fiscal year 2016. In accordance with GASB Statement No. 68, these on-behalf payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

**D. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

*Pension Liabilities*

At June 30, 2016 the Town reported a liability of \$15,378,527 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, updated procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2015, the Town's proportion was 2.81% which was no increase from its proportion measured as of December 31, 2014.

*Pension Expense and Deferred Outflows of Resources*

For the year ended June 30, 2016 the Town recognized pension expense of \$1,682,320. At June 30, 2016 the Town reported deferred outflows of resources related to pensions of \$601,267 from the net difference between projected and actual investment earnings on pension plan investments. Since the system performs an actuarial valuation bi-annually, there are no reported differences between expected and actual experience or changes of assumptions as of December 31, 2015.

The deferred outflow/inflows of resources related to pensions will be recognized in future pension expense are as follows:

Year ended June 30	Amount
2016	\$ 163,665
2017	163,665
2018	163,665
2019	110,272
Totals	\$ 601,267

**TOWN OF WRENTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**E. Actuarial assumptions**

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2015.

Valuation date	January 1, 2016
Actuarial cost method	Entry age normal cost method
Amortization method	Open-level percent of payroll.
Cost of Living Increase	3.0% of first \$15,000 of retirement income
Asset valuation method	market value
Inflation rate	4.0%
Projected Salary increases	3.5% - 5.5%
Mortality rates	The RP-2014 blue collar mortality table adjusted with scale MP-2014.
Investment rate of return	8.0%

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	32.0%	9.40%
International Equities	17.5%	9.70%
Fixed Income	19.0%	3.40%
Private Equity	8.5%	13.60%
Real Estate	9.0%	7.70%
Real Assets	5.0%	7.90%
Hedge Funds	9.0%	7.90%
Total	<u>100%</u>	

**TOWN OF WRENTHAM, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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For the year ended December 31, 2015 the System's annual money-weighted rate of return on pension plan investments net of pension plan investment expense was -0.75%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

**F. Discount Rate**

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that member employer contributions will be made at contractually required rates actually determined. Under Chapter 32 of Massachusetts General Laws. Employers are required to make the necessary contributions such that the plan reaches full funding states by 2040. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Sensitivity of the net pension liability to changes on the discount rate**

The following presents the net pension liability of the system, as of December 31, 2015, calculated using the discount rate of 8.00%, as well as what the system's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
The Towns proportionate share of the net pension liability	\$ 19,279,619	\$ 15,378,527	\$ 12,038,442

Detailed information about the pension plan's fiduciary net position is available in a separately issued Norfolk County Contributory Retirement System financial report.



**TOWN OF WRENTHAM, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

The Town participates in a number of federal award programs. However the Town is not subject to the provisions of the Single Audit Act Amendments of 1996, since the Town did not expend more than \$750,000 of federal awards during the period ended June 30, 2016. These programs may still be subject to financial and compliance audits. Accordingly, the amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is believed the amount, if any, would not be material.

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, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

**NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2016, the following GASB pronouncements were implemented:

The GASB issued **Statement #72**, *Fair Value Measurement and Application*, which is required to be implemented in 2016. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #76**, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in 2016. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #79**, *Tax Abatement Disclosures* which is required to be implemented in 2015. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

*Future GASB Pronouncements:*

The GASB issued **Statement #73**, *Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. The provisions of this Statement are effective for 2016 – except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statements 68, which are effective for 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #74**, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #75**, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018. Management's current assessment is that this pronouncement will have a significant impact on the Basic Financial Statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**  
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The GASB issued **Statement #77**, *Tax Abatement Disclosures* which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #78**, *Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #80**, *Blending Pequirements for Certain Component Units – an amendment of GASB Statement #14*, which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #81**, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #82**, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

**TOWN OF WRENTHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
NORFOLK COUNTY CONTRIBUTORY RETIREMENT SYSTEM  
JUNE 30, 2016**

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

**Schedules of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
1/1/2016	\$ 814,225,634	\$ 1,310,561,438	\$ 496,335,804	62.1%	\$267,454,300	185.6%
1/1/2014	696,682,779	1,247,596,772	550,913,993	55.8%	246,722,941	223.3%
1/1/2012	608,235,096	1,128,960,288	520,725,192	53.9%	229,095,409	227.3%
1/1/2010	600,790,835	1,001,881,055	401,090,220	60.0%	223,332,595	179.6%
1/1/2008	596,157,147	907,719,124	311,561,977	65.7%	223,814,977	139.2%
1/1/2007	533,077,948	855,677,413	322,599,465	62.3%	219,620,865	146.9%
1/1/2005	467,186,566	762,900,650	295,714,084	61.2%	196,639,163	150.4%
1/1/2003	415,150,776	675,275,257	260,124,481	61.5%	185,281,985	140.4%
1/1/2000	371,646,793	533,959,970	162,313,177	69.6%	163,542,978	99.2%
1/1/1997	258,771,070	392,463,080	133,692,010	65.9%	126,219,194	105.9%
1/1/1993	151,546,609	291,472,940	139,926,331	52.0%	107,482,975	130.2%

**Schedule of Employer Contributions**

Fiscal Year Ended June 30	System Wide			Town of Wrentham	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2016	\$ 63,893,139	\$ 63,893,139	100%	\$ 1,422,787	2.23%
2015	48,383,549	48,383,549	100%	1,361,510	2.81%
2014	42,461,369	42,461,369	100%	1,177,374	2.77%
2013	44,800,000	44,800,000	100%	1,130,497	2.52%
2012	42,714,639	42,714,639	100%	1,077,118	2.52%
2011	41,206,587	41,206,587	100%	1,090,564	2.65%
2010	39,749,857	39,749,857	100%	1,052,467	2.65%
2009	38,920,499	38,920,499	100%	1,043,212	2.68%
2008	33,104,903	33,104,903	100%	941,915	2.85%
2007	32,877,890	32,877,890	100%	917,355	2.79%
2006	31,755,708	31,755,708	100%	750,160	2.36%
2005	28,238,996	28,238,996	100%	647,883	2.29%

**TOWN OF WRENTHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
NORFOLK COUNTY CONTRIBUTORY RETIREMENT SYSTEM  
JUNE 30, 2016**

**The following schedules are presented in accordance with GASB Statement No. 68**

**Schedule of the Town's Proportionate Share of the Net Pension Liability**

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Town's proportion of the net pension liability	2.83%	2.81%
Town's proportionate share of the net pension liability	\$ 15,378,527	\$ 14,594,085
Town's covered-employee payroll	\$ 7,741,172	\$ 6,914,194
Town's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	198.66%	211.07%
Plan fiduciary net position as a percentage of the total pension liability	58.60%	60.10%

**Note:** This schedule is intended to present information for 10 years. Until a 10 year trend is compiled by the (System), information is presented for those years for which the information is available.

See notes to Required Supplementary Information

**TOWN OF WRENTHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
NORFOLK COUNTY CONTRIBUTORY RETIREMENT SYSTEM  
JUNE 30, 2016**

**SCHEDULE OF TOWN'S CONTRIBUTION**

	<u>December 31 ,2015</u>	<u>December 31 ,2014</u>
Actuarily determined contribution	\$ 1,422,787	\$ 1,361,510
Contribution in relation to the actuarilly determined contribution	<u>(1,422,787)</u>	<u>(1,361,510)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 7,741,172	\$ 6,914,194
Contribution as a percentage of covered - employee payroll	18.38%	19.69%

**Note:** This Town schedule is intended to present information for 10 years. Until a 10 year trend is compiled by the (System), information is presented for those years for which the information is available.

See notes to Required Supplementary Information

**TOWN OF WRENTHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
MASSACHUSETTS TEACHERS RETIREMENT SYSTEM  
JUNE 30, 2016**

**SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION  
LIABILITY**

**Teacher's Pension Plan**

	<u>2016</u>	<u>2015</u>
Towns' proportion of the net pension liability (asset)	0%	0%
Commonwealth's proportion of the net pension liability (assets)	100%	100%
Commonwealth's proportionate share of the net pension liability associated with the district	\$ 21,936,659	\$ 16,758,364
Employer pension expense and revenue for Commonwealth support	\$ 1,779,258	\$ 1,164,284

**TOWN OF WRENTHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS  
JUNE 30, 2016**

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

**Schedules of Funding Progress and Employer Contributions**

Projected Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
6/30/2007	\$ -	\$ 42,163,940	\$ 42,163,940	0.0%	\$ 13,140,873	320.9%
6/30/2011	\$ -	\$ 48,398,057	\$ 48,398,057	0.0%	\$ 9,852,372	491.2%
6/30/2013	\$ -	\$ 34,468,792	\$ 34,468,792	0.0%	\$ 13,987,250	246.4%
6/30/2015	\$ -	\$ 34,579,858	\$ 34,579,858	0.0%	\$ 14,081,000	245.6%

Schedule of Employer Contributions:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed*	Increase in OPEB Obligation	Net OPEB Obligation
6/30/2009	\$ 2,798,395	25.55%	\$ 2,083,395	\$ 2,083,395
6/30/2010	\$ 3,123,436	29.98%	\$ 2,187,047	\$ 4,270,442
6/30/2011	\$ 2,996,700	27.47%	\$ 2,173,596	\$ 6,444,038
6/30/2012	\$ 3,162,983	28.50%	\$ 2,261,685	\$ 8,705,723
6/30/2013	\$ 3,336,357	30.48%	\$ 2,319,584	\$ 11,025,307
6/30/2014	\$ 2,770,690	29.82%	\$ 1,943,242	\$ 12,968,549
6/30/2015	\$ 2,930,319	31.29%	\$ 2,013,492	\$ 14,982,041
6/30/2016	\$ 2,723,084	34.74%	\$ 1,777,140	\$ 16,759,181

**TOWN OF WRENTHAM, MASSACHUSETTS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 OTHER POSTEMPLOYMENT BENEFITS  
 JUNE 30, 2016**

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, 2015
Discount Rate	4.00%
Medical Trend	7.0% grading down .5% per year to 5% in five years
Cost Method	Projected Unit Credit
Amortization Method	Level dollar amount over 30 years at transition
Remaining Amortization Period	22
Mortality	Mortality tables projected generationally with scale BB20 from 2009 for non-teachers
	RP-2014 mortality tables projected generationally with scale BB20 from 2014 for non-teachers

Plan Membeship:

Current retirees, beneficiaries, and dependents	146
Current active members	<u>186</u>
	<u><u>332</u></u>



**TOWN OF WRENTHAM, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
NORFOLK COUNTY CONTRIBUTORY RETIREMENT SYSTEM  
JUNE 30, 2016**

**Pension Plan Schedules**

**A. Schedule of the Town's Proportionate Share of the Net Pension Liability**

The Schedule of Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability; the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

**B. Schedule of Town's Contribution**

Governmental employees are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1, and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based in covered payroll.