

**ROSELLI, CLARK & ASSOCIATES**  
Certified Public Accountants

**TOWN OF WRENTHAM, MASSACHUSETTS**

Report on Examination of  
Basic Financial Statements  
and Additional Information  
Year Ended June 30, 2018

Report on Internal Control  
Over Financial Reporting and  
on Compliance and Other Matters  
Year Ended June 30, 2018



# TOWN OF WRENTHAM, MASSACHUSETTS

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## INDEPENDENT AUDITORS' REPORT

The Honorable Members of the 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, (the "Town") as of and for the year ended June 30, 2018, 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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Restatements

The Town's basic financial statements as of and for the year ended June 30, 2017 were audited by other auditors whose opinion dated March 7, 2018 was unmodified. As discussed in Note V to the financial statements, the Town restated its fiscal year 2017 basic financial statements during the current year. The other auditors reported on the basic financial statements before these restatements.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not 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.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 11, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Roselli, Clark & Associates*

Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
February 11, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Wrentham, Massachusetts (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, 2018. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

### Financial Highlights

- The Town adopted a new accounting pronouncement related to other postemployment benefits, or OPEB, in fiscal year 2018. As a result, beginning net positions in the Town's governmental activities and business-type activities decreased over \$23.5 million and \$0.4 million respectively.
- The Town's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by over \$1.7 million. The Town reported a nearly \$11.8 million deficit net position in its governmental activities and an approximate \$10.2 million positive net position in its water enterprise. The Town's total net position deficit decreased over \$1.3 million in fiscal year 2018. Included in the Town's unrestricted net position (deficit) in its governmental activities is approximately \$56.4 million in liabilities associated with the Town's pension and OPEB liabilities.
- At June 30, 2018, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$11.5 million, which is more than \$1.4 million greater than the prior year. The Town reported a positive change in fund balance in each of its major governmental funds in fiscal year 2018.
- Of the ending fund balance in the Town's governmental funds, approximately \$5.1 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.
- At June 30, 2018, the unassigned fund balance for the general fund was approximately 11.5% of fiscal year 2018 total general fund expenditures and the total general fund balance was approximately 17.1% of that figure.
- The Town's total long-term debt in its governmental activities and business-type activities increased by nearly \$445,000 in 2018. The Town issued nearly \$2.2 million in general obligation bonds in fiscal year 2018. The Town's total long-term debt exceeded \$8.0 million at June 30, 2018.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the Town's assets and deferred outflows of resources and its liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education through a regional district, community development, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include its water operations.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting 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, proprietary funds, and fiduciary funds.

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

- Nonspendable—amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid expenses) or (b) legally or contractually required to be maintained intact.
- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed—amounts constrained by a government using its highest level of decision-making authority.
- Assigned—amounts a government intends to use for a particular purpose.
- Unassigned—amounts that are not constrained at all will be reported in the general fund.

**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 financial 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. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing

decisions. Reconciliations are provided in the basic financial statements to help the reader understand the differences.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital investment fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes to the financial statements.

**Proprietary Funds.** *Proprietary funds* are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The Town utilizes the proprietary funds to report activities of its enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water activities.

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

**Notes to the 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.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension and other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund.

## Government-Wide Financial Analysis

Condensed comparative statements of net position for the two most recent years were as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2018	June 30, 2017 (a)	June 30, 2018	June 30, 2017 (a)	June 30, 2018	June 30, 2017 (a)
<b>Assets:</b>						
Current and other assets	\$ 16,853,604	\$ 17,342,125	\$ 5,034,399	\$ 4,668,059	\$ 21,888,003	\$ 22,010,184
Capital assets, net	<u>35,473,458</u>	<u>33,626,947</u>	<u>10,097,107</u>	<u>10,012,801</u>	<u>45,570,565</u>	<u>43,639,748</u>
Total Assets	<u>52,327,062</u>	<u>50,969,072</u>	<u>15,131,506</u>	<u>14,680,860</u>	<u>67,458,568</u>	<u>65,649,932</u>
Deferred Outflows of Resources	<u>6,235,327</u>	<u>1,486,414</u>	<u>221,700</u>	<u>98,354</u>	<u>6,457,027</u>	<u>1,584,768</u>
<b>Liabilities:</b>						
Long-term liabilities	60,419,853	61,368,213	4,502,716	5,122,551	64,922,569	66,490,764
Other liabilities	<u>4,114,473</u>	<u>2,577,915</u>	<u>523,479</u>	<u>93,078</u>	<u>4,637,952</u>	<u>2,670,993</u>
Total Liabilities	<u>64,534,326</u>	<u>63,946,128</u>	<u>5,026,195</u>	<u>5,215,629</u>	<u>69,560,521</u>	<u>69,161,757</u>
Deferred Inflows of Resources	<u>5,805,174</u>	<u>969,851</u>	<u>180,186</u>	<u>64,174</u>	<u>5,985,360</u>	<u>1,034,025</u>
<b>Net Position:</b>						
Net investment in capital assets	30,911,712	29,363,251	7,880,057	7,217,134	38,791,769	36,580,385
Restricted	2,952,978	7,074,357	-	-	2,952,978	7,074,357
Unrestricted	<u>(45,641,801)</u>	<u>(48,898,101)</u>	<u>2,266,768</u>	<u>2,282,277</u>	<u>(43,375,033)</u>	<u>(46,615,824)</u>
Total Net Position	<u>\$ (11,777,111)</u>	<u>\$ (12,460,493)</u>	<u>\$ 10,146,825</u>	<u>\$ 9,499,411</u>	<u>\$ (1,630,286)</u>	<u>\$ (2,961,082)</u>

(a) As restated for the adoption of GASB Statement No. 75 and other items. Refer to Note V.

The Town's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by over \$1.7 million (*deficit net position*). The Town continues to report a deficit in its unrestricted net position in its governmental activities, which totaled over \$45.6 million at June 30, 2018. Included in this deficit is approximately \$56.4 million and \$55.7 million of net pension and other postemployment liabilities at June 30, 2018 and 2017, respectively. These non-cash personnel benefit liabilities are the primary contributors to these reported deficits.

The largest portion (approximately \$38.8 million) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (over \$2.8 million) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position is in deficit by approximately \$43.4 million. As previously noted, this deficit net position is primarily the result of the Town's recording of its net pension and OPEB liabilities.



Condensed comparative statements of activities for the two most recent years were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017(b)	2018	2017(b)	2018	2017(b)
<b>Program revenues:</b>						
Charges for services	\$ 3,489,079	\$ 2,770,066	\$ 2,396,281	\$ 2,035,642	\$ 5,885,360	\$ 4,805,708
Operating grants and contributions	7,585,100	8,030,534	-	18,322	7,585,100	8,048,856
Capital grants and contributions	529,505	136,132	751,957	130,593	1,281,462	266,725
<b>General revenues:</b>						
Property taxes	32,335,786	31,095,764	-	-	32,335,786	31,095,764
Intergovernmental	931,398	1,384,443	-	-	931,398	1,384,443
Other	2,792,609	2,328,227	22,856	-	2,815,465	2,328,227
<b>Total revenues</b>	<b>47,663,477</b>	<b>45,745,166</b>	<b>3,171,094</b>	<b>2,184,557</b>	<b>50,834,571</b>	<b>47,929,723</b>
<b>Expenses:</b>						
General government	2,621,300	2,718,147	-	-	2,621,300	2,718,147
Public safety	7,812,626	8,768,730	-	-	7,812,626	8,768,730
Education	31,054,792	28,976,663	-	-	31,054,792	28,976,663
Public works	3,730,383	3,480,532	-	-	3,730,383	3,480,532
Health and human services	679,045	834,275	-	-	679,045	834,275
Culture and recreation	890,000	1,152,555	-	-	890,000	1,152,555
Debt service	191,949	194,642	-	-	191,949	194,642
Water	-	-	2,523,680	2,150,676	2,523,680	2,150,676
<b>Total expenses</b>	<b>46,980,095</b>	<b>46,125,544</b>	<b>2,523,680</b>	<b>2,150,676</b>	<b>49,503,775</b>	<b>48,276,220</b>
Change in net position before transfers	683,382	(380,378)	647,414	33,881	1,330,796	(346,497)
Transfers	-	37,000	-	(37,000)	-	-
<b>Change in net position</b>	<b>683,382</b>	<b>(343,378)</b>	<b>647,414</b>	<b>(3,119)</b>	<b>1,330,796</b>	<b>(346,497)</b>
Net position - beginning of year	(12,460,493)	11,636,296	9,499,411	9,259,183	(2,961,082)	20,895,479
Restatement (a)	-	(23,753,411)	-	243,347	-	(23,510,064)
<b>Net position - end of year</b>	<b>\$ (11,777,111)</b>	<b>\$ (12,460,493)</b>	<b>\$ 10,146,825</b>	<b>\$ 9,499,411</b>	<b>\$ (1,630,286)</b>	<b>\$ (2,961,082)</b>

(a) Restatement for the adoption of GASB Statement No. 75 and other items. Refer to Note V.

(b) Certain reclassifications were made to prior year balances to conform with current year presentation.

**Governmental Activities.** Property taxes continue to represent the majority of the Town's total revenues. In fiscal year 2018, property taxes represented approximately 68% of total revenues, which was consistent with the prior year. In terms of actual dollars, the Town's property tax revenues increased over \$1.2 million, or 4%, year-over-year. This increase was consistent with the Proposition 2 ½ limitation plus new growth. Operating grants represented approximately 16% and 18% of fiscal years 2018 and 2017 total revenues, respectively. No other revenue source exceeded 10% in either fiscal year 2018 or 2017.

The Town's largest expense category is education, which the Town continues to devote substantial resources towards. Education expenses totaled approximately 66% and 63% of total fiscal year 2018 and 2017 expenses, respectively. In terms of gross dollars, education expenses increased over \$1.9 million in fiscal year 2018, which reflected the increase in the Town's assessment for its regional school district. Public safety expenses represented approximately 17% and 19% of total fiscal year 2018 and 2017 expenses, respectively. No other expense categories were greater than 10% in fiscal years 2018 or 2017.

**Business-Type Activities.** User charges represent the majority of the reported revenues in both fiscal years 2018 and 2017. Business-type revenues increased nearly \$1.0 in fiscal year 2018 due primarily to utility rate increases and a water grant from the Commonwealth of Massachusetts for water main infrastructure work.

## **Governmental Funds Financial Analysis**

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

**Governmental Funds.** The focus of the Town'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 financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$11.4 million, which is more than \$1.4 million greater than the prior year. The Town reported a positive change in fund balance in its general fund, community preservation major fund, capital project major funds, and nonmajor governmental funds of approximately \$407,000, \$250,000, \$439,000, and \$323,000, respectively. Of the ending fund balance, approximately \$5.1 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the general fund was approximately \$5.1 million, while total fund balance was over \$7.6 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 11.5% of total 2018 general fund expenditures, while total fund balance represents approximately 17.1% of that same amount.

The Town established a community preservation fund in fiscal year 2018. This fund is restricted for historical preservation and conservation of open space. At June 30, 2018, the community preservation fund balance totaled nearly \$250,000.

The Town maintains a capital projects fund, which is restricted for town-wide capital items. At June 30, 2018, the fund balance in the capital projects fund approached \$663,000.

The Town reports approximately \$2.8 million as restricted in the nonmajor governmental funds due to constraints placed externally by third-parties. The aggregate nonmajor governmental fund operations were reasonably consistent with the prior year.

**Proprietary Funds.** The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At June 30, 2018, the net position in the water enterprise exceeded \$10.1 million.

## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were not significant. A budget to actual schedule for the general fund has been provided as required supplementary information.

## **Capital Asset and Debt Administration**

**Capital Assets.** As of June 30, 2018, the Town's investment in capital assets for its governmental and business-type activities approximated \$35.5 million and \$10.1 million, respectively. Governmental and business-type net fixed assets increased over \$1.9 million in the aggregate as capital additions exceeded depreciation expense in 2018.

Additional information on the Town capital assets can be found in the notes to the financial statements.

**Long-term Debt.** At the end of the current fiscal year, the Town had total long-term bonded debt outstanding of over \$8.0 million. The Town's total long-term bonded debt increased by over \$0.4 million during the current fiscal year as new debt issuances exceeded scheduled debt payments.

The Town's bond rating of "AA+" was set by Standard and Poor's Financial Services LLC in October 2017 and the Town continues to maintain this rating.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the Town is approximately \$106.1 million, which significantly exceeds the Town's outstanding general obligation debt.

Additional information on the Town's debt can be found in the notes to the financial statements.

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

- The Town's real estate tax base is made up predominantly of residential taxes, which in 2018 are approximately 75% of the entire levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than 2 ½% of the previous year's tax levy. The Town typically taxes at or near its levy limit annually.
- The Town is experiencing an uptick in new home building and expects several additional residential housing projects to commence in the near future.
- The Town anticipates state aid for 2019 to remain consistent with the prior year.

Each of these factors were considered in preparing the Town's budget for the 2019 fiscal year, which was adopted at Town Meeting in June 2018.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Administrator, 79 South Street, Wrentham, MA 02093.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**STATEMENT OF NET POSITION  
JUNE 30, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 11,071,355	\$ 3,818,113	\$ 14,889,468
Investments	3,018,655	-	3,018,655
<b>Receivables, net:</b>			
Property taxes	1,296,514	-	1,296,514
User fees	-	839,275	839,275
Departmental and other	698,959	-	698,959
Intergovernmental	768,121	377,011	1,145,132
Land	4,631,656	645,101	5,276,757
Construction in-progress	26,735	611,903	638,638
Capital assets, net of accumulated depreciation	<u>30,815,067</u>	<u>8,840,103</u>	<u>39,655,170</u>
<b>Total Assets</b>	<u>52,327,062</u>	<u>15,131,506</u>	<u>67,458,568</u>
<b>Deferred Outflows of Resources:</b>			
Pensions	3,036,071	149,399	3,185,470
Other postemployment benefits	<u>3,199,256</u>	<u>72,301</u>	<u>3,271,557</u>
<b>Total Deferred Outflows of Resources</b>	<u>6,235,327</u>	<u>221,700</u>	<u>6,457,027</u>
<b>Liabilities:</b>			
Warrants and accounts payable	1,742,484	73,689	1,816,173
Accrued expenses	1,017,947	-	1,017,947
Retainage payable	-	111,456	111,456
Accrued interest	32,919	7,111	40,030
Due to other governments	9,586	-	9,586
<b>Noncurrent liabilities:</b>			
Due within one year	1,311,537	331,223	1,642,760
Due in more than one year	<u>60,419,853</u>	<u>4,502,716</u>	<u>64,922,569</u>
<b>Total Liabilities</b>	<u>64,534,326</u>	<u>5,026,195</u>	<u>69,560,521</u>
<b>Deferred Inflows of Resources</b>			
Unearned revenues	389,953	-	389,953
Pensions	2,172,430	106,901	2,279,331
Other postemployment benefits	<u>3,242,791</u>	<u>73,285</u>	<u>3,316,076</u>
<b>Total Deferred Inflows of Resources</b>	<u>5,805,174</u>	<u>180,186</u>	<u>5,985,360</u>
<b>Net Position:</b>			
Net investment in capital assets	30,911,712	7,880,057	38,791,769
<b>Restricted:</b>			
Nonexpendable perpetual funds	280,263	-	280,263
Expendable perpetual funds	224,795	-	224,795
Other purposes	2,447,920	-	2,447,920
Unrestricted	<u>(45,641,801)</u>	<u>2,266,768</u>	<u>(43,375,033)</u>
<b>Total Net Position</b>	<u>\$ (11,777,111)</u>	<u>\$ 10,146,825</u>	<u>\$ (1,630,286)</u>

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 2,621,300	\$ 256,706	\$ 196,792	\$ -	\$ (2,167,802)		\$ (2,167,802)
Public safety	7,812,626	1,754,580	71,542	-	(5,986,504)		(5,986,504)
Education	31,054,792	1,006,591	7,114,988	503,407	(22,429,806)		(22,429,806)
Public works	3,730,383	117,595	62,050	26,098	(3,524,640)		(3,524,640)
Health and human services	679,045	167,595	43,854	-	(467,596)		(467,596)
Culture and recreation	890,000	186,012	95,874	-	(608,114)		(608,114)
Interest expense	191,949	-	-	-	(191,949)		(191,949)
Total governmental activities	<u>46,980,095</u>	<u>3,489,079</u>	<u>7,585,100</u>	<u>529,505</u>	<u>(35,376,411)</u>		<u>(35,376,411)</u>
<b>Business-Type Activities:</b>							
Water	<u>2,523,680</u>	<u>2,396,281</u>	<u>-</u>	<u>751,957</u>	<u>-</u>	<u>\$ 624,558</u>	<u>624,558</u>
Total Primary Government	<u>\$ 49,503,775</u>	<u>\$ 5,885,360</u>	<u>\$ 7,585,100</u>	<u>\$ 1,281,462</u>	<u>\$ (35,376,411)</u>	<u>\$ 624,558</u>	<u>\$ (34,751,853)</u>
<b>General Revenues:</b>							
Property taxes					32,335,786	-	32,335,786
Motor vehicle and other excise taxes					2,408,850	-	2,408,850
Grants and contributions not restricted to specific programs					931,398	-	931,398
Penalties and interest on taxes					291,676	-	291,676
Unrestricted investment income					92,083	22,856	114,939
Total general revenues and transfers					<u>36,059,793</u>	<u>22,856</u>	<u>36,082,649</u>
Change in Net Position					683,382	647,414	1,330,796
<b>Net Position:</b>							
Beginning of year (As restated; refer to Note V)					(12,460,493)	9,499,411	(2,961,082)
End of year					<u>\$ (11,777,111)</u>	<u>\$ 10,146,825</u>	<u>\$ (1,630,286)</u>

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

	General Fund	Community Preservation Fund	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 7,374,054	\$ 252,819	\$ 837,691	\$ 2,606,791	\$ 11,071,355
Investments	2,590,381	-	-	428,274	3,018,655
Receivables, net of allowance for uncollectibles:					
Property taxes	1,293,617	2,897	-	-	1,296,514
Departmental and other	199,871	-	-	499,088	698,959
Intergovernmental	347,719	-	147,835	272,567	768,121
<b>Total Assets</b>	<u>11,805,642</u>	<u>255,716</u>	<u>985,526</u>	<u>3,806,720</u>	<u>16,853,604</u>
Deferred Outflows of Resources					
	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 11,805,642</u>	<u>\$ 255,716</u>	<u>\$ 985,526</u>	<u>\$ 3,806,720</u>	<u>\$ 16,853,604</u>
<b>Liabilities:</b>					
Warrants and accounts payable	\$ 1,224,393	\$ 853	\$ 323,005	\$ 194,233	\$ 1,742,484
Accrued payroll and withholdings	945,334	-	-	72,613	1,017,947
Due to other governments	9,586	-	-	-	9,586
<b>Total Liabilities</b>	<u>2,179,313</u>	<u>853</u>	<u>323,005</u>	<u>266,846</u>	<u>2,770,017</u>
Deferred Inflows of Resources:					
Unearned revenues	299,975	2,170	-	87,808	389,953
Unavailable revenue - property taxes	1,196,158	2,897	-	-	1,199,055
Unavailable revenue - departmental and other	199,871	-	-	499,088	698,959
Unavailable revenue - intergovernmental	296,715	-	-	-	296,715
<b>Total Deferred Inflows of Resources</b>	<u>1,992,719</u>	<u>5,067</u>	<u>-</u>	<u>586,896</u>	<u>2,584,682</u>
<b>Fund Balances:</b>					
Nonspendable	-	-	-	280,263	280,263
Restricted	532,519	249,796	662,521	2,672,715	4,117,551
Committed	39,261	-	-	-	39,261
Assigned	1,913,224	-	-	-	1,913,224
Unassigned	5,148,606	-	-	-	5,148,606
<b>Total Fund Balances</b>	<u>7,633,610</u>	<u>249,796</u>	<u>662,521</u>	<u>2,952,978</u>	<u>11,498,905</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 11,805,642</u>	<u>\$ 255,716</u>	<u>\$ 985,526</u>	<u>\$ 3,806,720</u>	<u>\$ 16,853,604</u>

See accompanying notes to 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, 2018**

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Total Governmental Fund Balances		\$ 11,498,905
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		35,473,458
Other assets are not available to pay for current-period expenditures and are therefore deferred inflows of financial resources in the funds.		2,194,729
Deferred outflows and inflows of resources to be recognized in future fiscal years are not available resources and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	3,036,071	
Deferred outflows of resources related to OPEB	3,199,256	
Deferred inflows of resources related to pensions	(2,172,430)	
Deferred inflows of resources related to OPEB	<u>(3,242,791)</u>	
Net effect of reporting deferred outflows and inflows of resources		820,106
In the statement of net position, interest is accrued on outstanding long-term debt whereas in the governmental funds, interest is not reported until due.		(32,919)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:		
Bonds and notes payable	(4,889,830)	
Compensated absences	(176,761)	
Unamortized bond premiums	(172,618)	
Capital lease obligations	(71,646)	
Net other postemployment benefits liability	(41,807,562)	
Net pension liability	<u>(14,612,973)</u>	
Net effect of reporting long-term liabilities		<u>(61,731,390)</u>
Net Position of Governmental Activities		<u>\$ (11,777,111)</u>

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2018**

	General Fund	Community Preservation Fund	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 31,973,142	\$ 248,860	\$ -	\$ -	\$ 32,222,002
Intergovernmental	7,886,339	-	503,407	1,673,253	10,062,999
Motor vehicle and other excises	2,424,717	-	-	-	2,424,717
Licenses and permits	1,491,693	-	-	-	1,491,693
Penalties and interest on taxes	291,676	-	-	-	291,676
Fines and forfeitures	55,724	-	-	-	55,724
Investment income	86,118	936	-	5,029	92,083
Departmental and other revenue	406,766	-	-	1,765,992	2,172,758
Contributions and donations	-	-	-	146,768	146,768
<b>Total Revenues</b>	<b>44,616,175</b>	<b>249,796</b>	<b>503,407</b>	<b>3,591,042</b>	<b>48,960,420</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	1,731,519	-	-	179,167	1,910,686
Public safety	5,663,677	-	-	112,127	5,775,804
Education	22,485,883	-	1,073,399	1,575,665	25,134,947
Public works	2,608,552	-	1,143,897	828,215	4,580,664
Health and human services	424,219	-	-	54,598	478,817
Culture and recreation	468,165	-	-	327,930	796,095
Pension and fringe benefits	9,021,090	-	-	-	9,021,090
State and county assessments	618,581	-	-	-	618,581
<b>Debt service:</b>					
Principal	1,384,972	-	-	-	1,384,972
Interest	196,205	-	-	-	196,205
<b>Total Expenditures</b>	<b>44,602,863</b>	<b>-</b>	<b>2,217,296</b>	<b>3,077,702</b>	<b>49,897,861</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>13,312</b>	<b>249,796</b>	<b>(1,713,889)</b>	<b>513,340</b>	<b>(937,441)</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from sale of general obligation bonds	-	-	2,153,000	-	2,153,000
Premium from sale of general obligation bonds	-	-	-	192,405	192,405
Transfers in	393,984	-	-	-	393,984
Transfers out	-	-	-	(393,984)	(393,984)
<b>Total Other Financing Sources (Uses)</b>	<b>393,984</b>	<b>-</b>	<b>2,153,000</b>	<b>(201,579)</b>	<b>2,345,405</b>
<b>Net Change in Fund Balances</b>	<b>407,296</b>	<b>249,796</b>	<b>439,111</b>	<b>311,761</b>	<b>1,407,964</b>
Fund Balances - Beginning of year (a)	7,226,314	-	223,410	2,641,217	10,090,941
Fund Balances - End of year	<u>\$ 7,633,610</u>	<u>\$ 249,796</u>	<u>\$ 662,521</u>	<u>\$ 2,952,978</u>	<u>\$ 11,498,905</u>

(a) The beginning balances in the capital projects fund and nonmajor governmental funds were restated. Refer to Note V.

See accompanying notes to 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  
YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Fund Balances \$ 1,407,964

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. The net amounts are reflected as reconciling items:

Capital outlays	3,719,043	
Depreciation expense	(1,872,532)	
Net effect of reporting capital assets		1,846,511

The issuance of long-term debt 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 has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. The net amounts are reflected here as reconciling items:

Proceeds from sale of general obligation bonds	(2,153,000)	
Premiums from sale of general obligation bonds	(192,405)	
Amortization of bond premiums	19,787	
Repayments of capital lease obligations	70,248	
Repayments of long-term debt	1,384,972	
Net effect of reporting long-term debt		(870,398)

Revenues in the statement of activities that do not provide current financial resources are unavailable in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents differences derived from unavailable revenue.

(1,296,943)

In the Statement of Activities, interest is accrued on outstanding long-term debt; whereas in governmental funds interest is not reported until due. The net amount presented here as a reconciling item represents the difference in accruals between this year and the prior year.

4,256

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:

Compensated absences	48,767	
Net other postemployment benefits	(267,880)	
Net pension liability	(188,895)	
Net effect of reporting long-term liabilities		(408,008)

Change in Net Position of Governmental Activities \$ 683,382

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	Business-Type Activities
	Water
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 3,818,113
User charges receivable, net	839,275
Due from the Commonwealth	54,536
Total current assets	4,711,924
Noncurrent assets:	
Due from the Commonwealth	322,475
Land	645,101
Construction in-progress	611,903
Capital assets, net of accumulated depreciation	8,840,103
Total noncurrent assets	10,419,582
<b>Total Assets</b>	<b>15,131,506</b>
Deferred Outflows of Resources:	
Pensions	149,399
Other postemployment benefits	72,301
<b>Total Deferred Outflows of Resources</b>	<b>221,700</b>
<b>Liabilities:</b>	
Current liabilities:	
Warrants and accounts payable	73,689
Retainage payable	111,456
Accrued interest	7,111
Compensated absences	3,068
Bonds and notes payable	328,155
Total current liabilities	523,479
Noncurrent liabilities:	
Compensated absences	12,274
Net other postemployment benefits liability	944,828
Net pension liability	719,073
Bonds and notes payable	2,826,541
Total noncurrent liabilities	4,502,716
<b>Total Liabilities</b>	<b>5,026,195</b>
Deferred Inflows of Resources:	
Pensions	106,901
Other postemployment benefits	73,285
<b>Total Deferred Inflows of Resources</b>	<b>180,186</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>5,206,381</b>
<b>Net Position:</b>	
Net investment in capital assets	7,880,057
Unrestricted	2,266,768
<b>Total Net Position</b>	<b>\$ 10,146,825</b>

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2018**

	Business-Type Activities
	Water
Operating Revenues:	
Charges for services	\$ 2,396,281
Total Operating Revenues	2,396,281
Operating Expenses:	
Personnel and other operating costs	1,853,001
Depreciation	495,296
Total Operating Expenses	2,348,297
Operating Income	47,984
Nonoperating Revenues (Expenses):	
Investment income, net	22,856
Interest expense	(175,383)
Total Nonoperating Revenues (Expenses)	(152,527)
Loss Before Capital Contributions and Transfers	(104,543)
Capital Contributions:	
Intergovernmental	751,957
Total Capital Contributions	751,957
Change in Net Position	647,414
Net Position - Beginning of Year (as restated; refer to Note V)	9,499,411
Net Position - End of Year	\$ 10,146,825

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018**

	Business-Type Activities
	Water
Cash Flows from Operating Activities:	
Receipts from users	\$ 2,391,151
Payments to employees	(600,115)
Payments to vendors	<u>(1,123,885)</u>
Net Cash Provided by Operating Activities	<u>667,151</u>
Cash Flows from Capital and Related Financing Activities:	
Intergovernmental capital grants	833,811
Acquisition and construction of capital assets	(579,602)
Principal payments on bonds and notes	(323,155)
Interest payments on bonds and notes	<u>(177,997)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(246,943)</u>
Cash Flows from Investing Activities:	
Investment income	<u>22,856</u>
Net Cash Provided by Investing Activities	<u>22,856</u>
Net Change in Cash and Cash Equivalents	443,064
Cash and Cash Equivalents:	
Beginning of year	<u>3,375,049</u>
End of year	<u>\$ 3,818,113</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 47,984
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:	
Depreciation and amortization	495,296
Changes in assets and liabilities:	
Receivables (net)	(5,130)
Deferred outflows of resources	(123,346)
Liabilities (net)	136,335
Deferred inflows of resources	<u>116,012</u>
Net Cash Provided by Operating Activities	<u>\$ 667,151</u>

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2018**

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	Other Postemployment Benefits Trust Fund	Agency Funds
	<u>                    </u>	<u>                    </u>
Assets:		
Cash and cash equivalents	\$ 1,816	\$ 660,873
Investments in mutual funds	103,073	-
Other receivables	-	215,095
	<u>                    </u>	<u>                    </u>
Total Assets	104,889	875,968
	<u>                    </u>	<u>                    </u>
Liabilities:		
Warrants and accounts payable	-	58,891
Student activities	-	-
Performance bonds	-	813,968
Agency liabilities	-	3,109
	<u>                    </u>	<u>                    </u>
Total Liabilities	-	<u>\$ 875,968</u>
	<u>                    </u>	<u>                    </u>
Net Position:		
Restructured for other postemployment benefits	104,889	
	<u>                    </u>	
Total Net Position	<u>\$ 104,889</u>	

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2018**

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	<u>Other Postemployment Benefits Trust Fund</u>
Additions	
Contributions:	
Employer	\$ 1,283,242
Total contributions	<u>1,283,242</u>
Investment income	<u>4,889</u>
Total Additions	<u>1,288,131</u>
Deductions	
Benefit payments to retirees and beneficiaries	<u>1,183,242</u>
Total Deductions	<u>1,183,242</u>
Change in Net Position	104,889
Net Position - beginning of year	<u>-</u>
Net Position - end of year	<u>\$ 104,889</u>

See accompanying notes to basic financial statements.

# TOWN OF WRENTHAM, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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### **I. Summary of Significant Accounting Policies**

The accompanying basic financial statements of the Town of Wrentham (the “Town”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (“GASB”), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town.

#### **A. Reporting Entity**

The Town, which is located in Norfolk County, is centrally located between the cities of Boston and Worcester, Massachusetts and Providence, Rhode Island. The Town borders the state of Rhode Island. The Town was incorporated in 1673.

The governing structure utilizes an open town meeting format with a five-member elected Board of Selectmen and an appointed Town Administrator who performs and oversees the Town’s daily executive and administrative duties. Selectmen serve staggered three-year terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education, library, water services, street maintenance, veterans’ services, parks and recreational facilities. The Town provides elementary education for grades kindergarten to six; secondary education is provided through the King Phillip Regional School District. The water services are self-funded and reported as business enterprises.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

The King Phillip Regional School District is a joint venture between the Town and towns of Norfolk and Plainville. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2018, the Town’s assessment was \$10,332,921. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the King Phillip Regional School District’s administrative office located at 18 King Street, Norfolk, Massachusetts 02056.

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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 government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and
- 2) The total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding element for all governmental and enterprise funds combined.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the 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 given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are 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 payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.



The Town considers property tax revenues to be available if they are both material and collected within sixty days after the end of the fiscal year. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The Town reports the following major governmental funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Community Preservation Fund – is a special revenue fund used to account for the accumulation of resources to purchase open space, provided for affordable housing or preservation of historical property under the guidelines of the Community Preservation Act of the Massachusetts General Laws. This fund was established in fiscal year 2018.

Capital Projects Fund – is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Nonmajor Governmental Funds – consist of other special revenue and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental fund’s financial statements. The following describes the general use of these fund types:

*Special Revenue Funds* – are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

*Permanent Funds* – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports the following major proprietary fund:

Water Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the water activities are processed and is the Town’s only reported proprietary fund.

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

The Town reports the following fiduciary funds:

*Other Postemployment Benefits Trust Fund* – is used to account for funds accumulated by the Town to assist it in its future payments of other postemployment benefits, or OPEB, for retirees, such as health and life insurance.

*Agency Funds* – are used to account for funds received for and paid to other funds, individuals or organizations such as those held on deposit or escrow by the Town for various purposes including planning board deposits.

#### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Equity**

*Deposits and Investments* – The Town’s cash and cash equivalents 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 recorded at fair value in accordance with GAAP.

*Receivables* – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent semiannually with quarterly payments due on August 1, November 1, February 1, and May 1. Interest accrues on delinquent taxes up to the statutory percentage rate per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy. The Town is permitted to take delinquent tax accounts into tax titles fourteen days subsequent to the mailing of demand of delinquent taxes.

User charges receivables represent amounts billed for water usage and are billed semiannually. The Town is authorized to take unpaid water fees into tax title fourteen days subsequent to the mailing of a demand for payment for the delinquent taxes.

Real estate taxes, water and user fees are secured through a lien process in the second quarter of the following fiscal year and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible accounts, which are comprised of those outstanding amounts greater than five years old, if material.

*Inventories and Prepaid Items* – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and, if material, are recorded as prepaid items within other current assets in both government-wide and governmental fund financial statements.

*Capital Assets* – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g. roads, bridges, water mains and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All purchases of machinery, equipment and vehicles as well as construction costs exceeding \$10,000 are capitalized at the date of acquisition or construction if their expected lives are greater than four years. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets (excluding land and construction in-process) are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	10 to 40 years
Infrastructure	20 to 40 years
Machinery and equipment	5 to 25 years
Vehicles	5 to 10 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as *transfers, net*.

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 state law. Investment income of the proprietary funds is retained by the respective funds.

Compensated Absences – The Town permits employees to accumulate earned but unused vacation and sick-pay benefits. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary funds statements of net position. Bond premiums and discounts, in addition to issuance costs, if material, are amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Risk Financing – The Town insures for workers’ compensation, health, unemployment benefits, casualty, theft and other losses. Uninsured losses are recorded as expenditures when incurred.

Deferred Outflows/Inflows of Resources – 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 has two types of items that are reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability and the net other postemployment benefit liability. The deferred pensions will be recognized in pension expense over the next four years. The deferred other postemployment benefits will be recognized in employee benefits expense over the next five years.

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 has two items which qualify for reporting in this category. The first arises under the modified accrual basis of accounting and accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, departmental and other, and intergovernmental. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are reported on the government-wide statement of net position and relate to inflows from changes in the net pension liability and the net other postemployment benefit liability. The deferred pensions will be recognized as a reduction in pension expense over the next four years. The deferred other postemployment benefits will be recognized as a reduction in employee benefits expense over the next five years.

Net Position – In the government-wide financial statements, net position reported as *net investment in capital assets* includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been restricted for the following:

*Nonexpendable permanent funds* represent the endowment portion of donor restricted trusts that support governmental programs.

*Expendable permanent funds* represent the spendable, yet restricted, amount of various trust funds that support governmental programs.

*Other purposes* represent assets that are restricted by donors for specific governmental programs and uses.

Fund Equity – The Town presents fund balances in its governmental funds using classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

*Nonspendable* represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid expenses) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

*Restricted* represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

*Assigned* represents amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Town Meeting, Board of Selectmen or their designee.

*Unassigned* represents amounts that have not been restricted, committed or assigned to specific purposes within the Town’s governmental funds, primarily its general fund.

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use, it is the Town’s policy to use committed resources first, then assigned, and then unassigned as they are needed. The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

*Stabilization Funds* – The Town maintains two stabilization funds – (1) a general stabilization fund, which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting and (2) a capital improvements stabilization fund, which may be used for capital items upon a two-thirds vote of the Town Meeting. The general stabilization fund is reported as a component of unassigned fund balance while the capital improvements stabilization fund is reported as restricted.

*Encumbrances* – The Town’s encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal, approved purchasing activity as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately.

The following table reflects the Town's fund equity categorizations:

	<u>General</u>	<u>Community Preservation Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable:					
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ 280,263	\$ 280,263
Restricted:					
General government	532,519	-	200,000	359,708	1,092,227
Public safety	-	-	-	589,122	589,122
Education	-	-	91,773	1,014,761	1,106,534
Public works	-	-	359,347	188,430	547,777
Health and human services	-	-	-	215,202	215,202
Culture and recreation	-	249,796	11,401	262,366	523,563
Pension and other fringes	-	-	-	43,126	43,126
Committed:					
General government	39,261	-	-	-	39,261
Assigned:					
Public safety	42,853	-	-	-	42,853
Education	85,797	-	-	-	85,797
Other purposes	46,969	-	-	-	46,969
Subsequent year's budget	1,737,605	-	-	-	1,737,605
Unassigned					
Stabilization	1,769,694	-	-	-	1,769,694
Unrestricted	<u>3,378,912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,378,912</u>
	<u>\$ 7,633,610</u>	<u>\$ 249,796</u>	<u>\$ 662,521</u>	<u>\$ 2,952,978</u>	<u>\$ 11,498,905</u>

**E. Excess of Expenditures Over Appropriations and Deficits**

During the fiscal year ended, expenditures exceeded appropriations in the general fund for state and county tax assessments by \$64,618, which were funded with available funds.

**F. Use of Estimates**

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

## II. Detailed Notes to All Funds

### A. Deposits and Investments

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as *cash and cash equivalents*. The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (the "MMDT"), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

*Fair Value of Investments* – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the Town's best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the Town's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2018:

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Debt securities:				
U.S. Treasury notes	\$ 1,705,065	\$ 1,705,065	\$ -	\$ -
U.S. Governmental agency obligations	889,451	-	889,454	-
Corporate bonds	-	-	-	-
Total debt securities	2,594,516	1,705,065	889,454	-
Equity securities	48,585	817,427	-	-
Mutual funds	103,072	-	103,072	-
Total investments measured at fair value	2,746,173	\$ 2,522,492	\$ 992,526	\$ -
Investments measured at amortized cost:				
MMDT	375,555			
Total investments	\$ 3,121,728			

All the Town's investments in U.S. Treasuries, and equity securities were classified in Level 1 as each investment is quoted in an active market. Corporate bonds, U.S. government agency obligations, and mutual funds are valued at matrix pricing based on the securities' relationship to benchmark quoted prices. Short-term investments in the MMDT are measured at amortized cost, which approximates fair value.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. The Town relies on depository insurance at its banking institutions to mitigate this risk. At June 30, 2018, \$6,363,963 in Town deposits were not subject to depository insurance from the Federal Deposit Insurance Corporation or other depository insurance programs.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. In practice, the Town mitigates this risk through diversification, the prudent selection of investment instruments and choice of depository. All of the Town's investments, while held by a counterparty, are registered in the Town's name and are therefore not exposed to custodial credit risk.

Interest Rate Risk – In the case of investments, this is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the more sensitive it is to changes in market interest rates. According to the Town's investment policy, the Town mitigates this risk through diversification, the prudent selection of investment instruments and choice of depository. The Town further mitigates this risk by managing the duration of its investments.



Investment Maturities – The Town had the following investments at June 30, 2018:

Investment Type	Fair Value	Time Until Maturity (in years)		
		Less Than 1	1 to 5	6 to 10
U.S. government and agency obligations	\$ 2,594,516	\$ 598,038	\$ 1,996,478	\$ -
Total investments with maturities	2,594,516	\$ 598,038	\$ 1,996,478	\$ -
Other Investments:				
Equity securities	48,585			
Mutual funds	103,072			
MMDT	375,555			
Total Town investments	\$ 3,121,728			

Certificates of deposit and money market accounts have been classified as cash equivalents in these financial statements due to the liquid nature of these types of short-term investments.

Concentration of Credit Risk – The Town’s investments in U.S. Treasury notes and the MMDT represented approximately 55% and 12% of the Town’s total investments at June 30, 2018. No other individual investment exceeded 5% of the Town’s total investments.

Credit Risk – Statutes require the Town Treasurer to invest Town funds in bonds or notes which are legal investments for savings banks, including U.S. obligations, certificates of deposit, money market accounts, bank deposits, repurchase agreements and the State Treasurer’s investment pool. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days and the underlying security must be a U.S. obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

All of the Town’s investments in U.S. Treasury notes and other U.S. government obligations were assigned an AA+ credit rating from Standard and Poor’s Financial Services LLC. Credit ratings for the Town’s other investments are not available.

**B. Receivables**

Receivables as of June 30, 2018 for the Town’s individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Real estate taxes	\$ 499,685	\$ -	\$ 499,685
Personal property taxes	43,529	(9,000)	34,529
Tax liens and possessions	762,300	-	762,300
Motor vehicle and other excise taxes	265,871	(66,000)	199,871
Ambulance user charges	1,194,590	(940,000)	254,590
Title V program	244,498	-	244,498
Intergovernmental	<u>768,121</u>	<u>-</u>	<u>768,121</u>
Total	<u>\$ 3,778,594</u>	<u>\$ (1,015,000)</u>	<u>\$ 2,763,594</u>

There were no allowances for uncollectible accounts reported in the water enterprise fund at June 30, 2018.

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. The following identifies the components of deferred inflows of resources in the governmental funds:

	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receivable type:				
Real estate and personal property taxes	\$ 433,858	\$ 2,897	\$ -	\$ 436,755
Tax liens and possessions	762,300	-	-	762,300
Motor vehicle and other excise taxes	199,871	-	-	199,871
Ambulance user charges	-	-	254,590	254,590
Title V program	-	-	244,498	244,498
Intergovernmental	<u>296,715</u>	<u>-</u>	<u>-</u>	<u>296,715</u>
Total	<u>\$ 1,692,744</u>	<u>\$ 2,897</u>	<u>\$ 499,088</u>	<u>\$ 2,194,729</u>

Massachusetts School Building Authority – The Town is being reimbursed from the Massachusetts School Building Authority (“MSBA”) for two separate school building projects. The Town expects to receive \$296,715 from the MSBA in fiscal year 2019 as its final payment for bonded school construction related to the Delaney Elementary School. Additionally, the Town expects to receive from the MSBA \$147,835 in fiscal year 2019 relative to a roofing project at the Delaney Elementary School. These amounts have been recorded as intergovernmental receivables at June 30, 2018.

*Massachusetts Clean Water Trust* - The Town has entered into various loan agreements with the Massachusetts Clean Water Trust (“MCWT”). The Town expects to be subsidized by MCWT in future years on a periodic basis for principal of \$377,011 and interest costs of \$124,077 relative to water activities until maturity of these agreements. The Town is legally obligated for the total amount of the debt, so such amounts have been recorded in the water enterprise fund. The water enterprise also reports a receivable for the principal amount of the subsidies.

### C. Interfund Receivables, Payables and Transfers

During fiscal year 2018, the Town transferred \$393,984 from nonmajor governmental funds to the general fund. Of this total, \$370,000 were budgeted transfers from receipts reserved funds, \$20,069 was a transfer from the Title V loan program to the general fund for debt service and \$3,915 was transferred for other supplemental operating budget purposes.

### D. Capital Assets

Capital asset activity in the Town’s governmental activities for the fiscal year ended June 30, 2018 was as follows:

	Beginning Balance (a)	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 4,631,656	\$ -	\$ -	\$ 4,631,656
Construction in-progress	292,840	22,450	(288,555)	26,735
Total capital assets not being depreciated	<u>4,924,496</u>	<u>22,450</u>	<u>(288,555)</u>	<u>4,658,391</u>
Capital assets being depreciated:				
Buildings and improvements	36,596,135	1,588,526	-	38,184,661
Infrastructure	13,955,425	827,216	-	14,782,641
Machinery and equipment	5,251,366	1,504,140	(175,528)	6,579,978
Vehicles	1,403,827	65,266	(160,093)	1,309,000
Total capital assets being depreciated	<u>57,206,753</u>	<u>3,985,148</u>	<u>(335,621)</u>	<u>60,856,280</u>
Less accumulated depreciation for:				
Buildings and improvements	(15,558,884)	(983,356)	-	(16,542,240)
Infrastructure	(8,143,620)	(421,103)	-	(8,564,723)
Machinery and equipment	(3,753,666)	(356,919)	175,528	(3,935,057)
Vehicles	(1,048,132)	(111,154)	160,093	(999,193)
Total accumulated depreciation	<u>(28,504,302)</u>	<u>(1,872,532)</u>	<u>335,621</u>	<u>(30,041,213)</u>
Total capital assets being depreciated, net	<u>28,702,451</u>	<u>2,112,616</u>	<u>-</u>	<u>30,815,067</u>
Total governmental activities capital assets, net	<u>\$ 33,626,947</u>	<u>\$ 2,135,066</u>	<u>\$ (288,555)</u>	<u>\$ 35,473,458</u>

(a) Certain reclassifications to the beginning balances were made to conform to current year presentation.

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 147,432
Public safety	430,433
Education	539,315
Public works	604,340
Health and human services	11,712
Culture and recreation	<u>139,300</u>
	<u>\$ 1,872,532</u>

Capital asset activity in the Town's water enterprise for the fiscal year ended June 30, 2018 was as follows:

	Beginning Balance (a)	Increases	Decreases	Ending Balance
<i>Business-Type Activities - Water:</i>				
Capital assets not being depreciated:				
Land	\$ 645,101	\$ -	\$ -	\$ 645,101
Construction in-progress	<u>32,301</u>	<u>579,602</u>	<u>-</u>	<u>611,903</u>
Total capital assets not being depreciated	<u>677,402</u>	<u>579,602</u>	<u>-</u>	<u>1,257,004</u>
Capital assets being depreciated:				
Buildings and improvements	148,502	-	-	148,502
Infrastructure	14,903,537	-	-	14,903,537
Machinery and equipment	116,830	-	-	116,830
Vehicles	<u>621,528</u>	<u>-</u>	<u>-</u>	<u>621,528</u>
Total capital assets being depreciated	<u>15,790,397</u>	<u>-</u>	<u>-</u>	<u>15,790,397</u>
Less accumulated depreciation for:				
Buildings and improvements	(112,623)	(2,450)	-	(115,073)
Infrastructure	(5,999,049)	(431,884)	-	(6,430,933)
Machinery and equipment	(52,574)	(11,683)	-	(64,257)
Vehicles	<u>(290,752)</u>	<u>(49,279)</u>	<u>-</u>	<u>(340,031)</u>
Total accumulated depreciation	<u>(6,454,998)</u>	<u>(495,296)</u>	<u>-</u>	<u>(6,950,294)</u>
Total capital assets being depreciated, net	<u>9,335,399</u>	<u>(495,296)</u>	<u>-</u>	<u>8,840,103</u>
Total business-type activities capital assets, net	<u>\$ 10,012,801</u>	<u>\$ 84,306</u>	<u>\$ -</u>	<u>\$ 10,097,107</u>

(a) Certain reclassifications to the beginning balances were made to conform to current year presentation.

## E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes.

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANS”) or state aid anticipation notes. In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

During the fiscal year ended June 30, 2018, the Town retired \$1,417,000 in BANS that had a stated interest rate of 1.25% using the proceeds the Town received from its issuance of general obligation bonds.

## F. Long-term Obligations

Bond and Note Indebtedness – The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. In addition, the Town incurs various other long-term obligations relative to post-retirement personnel costs.

The following reflects the current year activity in the long-term liability accounts:

Description of Issue	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds and notes payable	\$ 4,121,802	\$ 2,153,000	\$ (1,384,972)	\$ 4,889,830	\$ 1,167,972
Unamortized bond premium	-	192,405	(19,787)	172,618	36,567
Capital lease obligations	141,894		(70,248)	71,646	71,646
Compensated absences	225,528	-	(48,767)	176,761	35,352
Net other postemployment benefits liability (a)	41,583,217	4,624,228	(4,399,883)	41,807,562	-
Net pension liability (b)	14,077,000	6,112,287	(5,576,314)	14,612,973	-
Total Governmental Activities	<u>\$ 60,149,441</u>	<u>\$ 13,081,920</u>	<u>\$ (11,499,971)</u>	<u>\$ 61,731,390</u>	<u>\$ 1,311,537</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds and notes payable	\$ 3,477,851	\$ -	\$ (323,155)	\$ 3,154,696	\$ 328,155
Compensated absences	13,172	2,170	-	15,342	3,068
Net other postemployment benefits liability (a)	939,758	104,505	(99,435)	944,828	-
Net pension liability (b)	701,460	317,223	(299,610)	719,073	-
Total Business-Type Activities - Water	<u>\$ 5,132,241</u>	<u>\$ 423,898</u>	<u>\$ (722,200)</u>	<u>\$ 4,833,939</u>	<u>\$ 331,223</u>
Total Long-Term Obligations	<u>\$ 65,281,682</u>	<u>\$ 13,505,818</u>	<u>\$ (12,222,171)</u>	<u>\$ 66,565,329</u>	<u>\$ 1,642,760</u>

(a) Beginning balance was restated for the adoption of GASB Statement No. 75. Refer to Note V.

(b) Beginning balance was restated. Refer to Note V

The governmental activities liabilities will be liquidated from the general fund. The business-type liabilities will be liquidated by the water enterprise fund.

The following is a summary of outstanding long-term debt obligations for the year ended June 30, 2018:

Description of Issue	Interest Rates	Beginning Balance	Additions	Maturities and Deductions	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.00% - 5.25%	\$ 3,965,000	\$ 2,153,000	\$ (1,365,000)	\$ 4,753,000
MCWT notes payable	0.00%	156,802	-	(19,972)	136,830
Total Governmental Activities		4,121,802	2,153,000	(1,384,972)	4,889,830
Add: Unamortized bond premiums		-	192,405	(19,787)	172,618
Total Governmental Activities, net		<u>\$ 4,121,802</u>	<u>\$ 2,345,405</u>	<u>\$ (1,404,759)</u>	<u>\$ 5,062,448</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	2.00% - 4.00%	\$ 1,995,000	\$ -	\$ (135,000)	\$ 1,860,000
MCWT notes payable	2.00%	1,482,851	-	(188,155)	1,294,696
Total Business-Type Activities - Water		<u>\$ 3,477,851</u>	<u>\$ -</u>	<u>\$ (323,155)</u>	<u>\$ 3,154,696</u>

Future Debt Payoff – Payments on outstanding bonds and notes due in future years consists of the following:

Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net of Subsidy	Balance	Subsidy	Net of Subsidy	
<i>Governmental Activities</i>							
2019	\$ 1,167,972	\$ -	\$ 1,167,972	\$ 172,469	\$ (2,267)	\$ 170,202	\$ 1,338,174
2020	924,972	-	924,972	130,883	(1,768)	129,115	1,054,087
2021	564,972	-	564,972	99,213	(1,270)	97,943	662,915
2022	475,203	-	475,203	76,385	(765)	75,620	550,823
2023	475,203	-	475,203	55,803	(255)	55,548	530,751
2024-2028	906,508	-	906,508	121,820	-	121,820	1,028,328
2029-2033	200,000	-	200,000	39,360	-	39,360	239,360
2034-2038	175,000	-	175,000	13,125	-	13,125	188,125
Total	<u>\$ 4,889,830</u>	<u>\$ -</u>	<u>\$ 4,889,830</u>	<u>\$ 709,058</u>	<u>\$ (6,325)</u>	<u>\$ 702,733</u>	<u>\$ 5,592,563</u>
<i>Business-Type Activities - Water</i>							
2019	\$ 328,155	\$ (54,536)	\$ 273,619	\$ 111,061	\$ (37,336)	\$ 73,725	\$ 347,344
2020	333,155	(57,368)	275,787	99,138	(31,869)	67,269	343,056
2021	338,154	(60,590)	277,564	85,906	(25,413)	60,493	338,057
2022	348,154	(63,881)	284,273	71,734	(18,855)	52,879	337,152
2023	353,154	(68,411)	284,743	56,529	(10,604)	45,925	330,668
2024-2028	890,770	(72,225)	818,545	165,350	-	165,350	983,895
2029-2033	488,154	-	488,154	58,725	-	58,725	546,879
2034	75,000	-	75,000	2,625	-	2,625	77,625
	<u>\$ 3,154,696</u>	<u>\$ (377,011)</u>	<u>\$ 2,777,685</u>	<u>\$ 651,068</u>	<u>\$ (124,077)</u>	<u>\$ 526,991</u>	<u>\$ 3,304,676</u>

Legal Debt Margin – State law permits a Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.” The Town’s legal debt margin as of June 30, 2018 was approximately \$106.1 million based on an equalized valuation of approximately \$2.1 billion.

Authorized and Unissued Debt – At June 30, 2018, the Town did not have any authorized but unissued debt.

**G. Capital Lease Obligations**

The Town is party to a non-cancellable lease for the purchase of a fire truck. For financial reporting purposes, this lease is accounted for as a capital lease. The Town expects to pay \$73,072 in fiscal year 2019 in lease payments based on this arrangement, of which \$1,426 represents interest. The Town reports a capital lease obligation at June 30, 2018 in the amount of \$71,646.

The fire truck acquired through the capital lease has an acquisition cost of \$511,502 and accumulated depreciation of \$112,530 through June 30, 2018. The net carrying value of this fire truck at June 30, 2018 was \$398,972.

**III. Other Information**

**A. Retirement System**

Pension Plan Description – The Town contributes to the Norfolk County Retirement System (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of Massachusetts General Laws (“MGL”). The Retirement System is administered by the Norfolk County Retirement Board (the “Retirement Board”). Stand-alone financial statements for the year ended December 31, 2017 were issued and are available by submitting a request to the Retirement System at 480 Neponset Street, Building No. 15, Canton, Massachusetts 02021.

Current membership in the Retirement System for all forty-one employers as of December 31, 2017 was as follows:

Active members	5,446
Inactive members entitled to, but not receiving benefits	2,992
Inactive members (or beneficiaries) currently receiving benefits	<u>3,336</u>
	<u>11,774</u>

Benefit Terms – Membership in the Retirement System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the Retirement System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to system. The Retirement System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year or five-year average annual rate of regular compensation, depending on the participant's date of hire. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and job classification. The most common benefits paid by the Retirement System include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the Retirement System.

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in fiscal year 2018.

Contributions Requirements – The Retirement Board has elected provisions of Chapter 32, Section 22D (as amended) of MGL, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$1,774,694 to the Retirement System in fiscal year 2018, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 21% in fiscal year 2018.



Net Pension Liability – At June 30, 2018, the Town reported a liability of \$15,332,046 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. There were no material changes to the Retirement System’s benefit terms since the actuarial valuation. There were no material changes made in this update to from the prior year (see below).

The Town’s proportion of the net pension liability is based on a projection of the Town’s long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town’s proportion was approximately 2.773% at December 31, 2017, which was slightly lower than its proportionate share of 2.831% at December 31, 2016.

Fiduciary Net Position – The elements of the Retirement System’s basic financial statements (that is, all information about the Retirement System’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System’s full financial statements as of and for the year ended December 31, 2017, which can be obtained by contacting the Retirement Board.

The Retirement System’s fiduciary net position was determined using the accrual basis of accounting. The Retirement System’s accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by the Massachusetts Public Employee Retirement Administration Commission, or PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized \$1,972,884 in pension expense in the statement of activities in fiscal year 2018.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,461,609	\$ -
Changes of assumptions	768,753	618,357
Net difference between projected and actual earnings on pension plan investments	952,575	1,426,162
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,533	234,812
	<u>\$ 3,185,470</u>	<u>\$ 2,279,331</u>

The net deferred outflows of resources and deferred inflows of resources are expected to be recognized as a benefit in the Town's pension expense as follows:

<u>Year ended June 30,</u>	
2019	\$ 444,275
2020	369,442
2021	214,679
2022	<u>(122,257)</u>
	<u>\$ 906,139</u>

*Actuarial Valuation* – The measurement of the Retirement System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of December 31, 2017. The significant actuarial assumptions used in this actuarial valuation included:

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Investment rate of return	7.75% per annum
Projected salary increases	3.50 to 5.50% per annum
Inflation	4.0% per annum
Cost of living increases	3.00% on first \$17,000 of retirement income
Mortality	RP-2014 Blue Collar Mortality Table with Scale MP-2015

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 rates of returns (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 rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System's target allocation as of December 31, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Policy Range</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	32.0%	8.8%
International equity	17.5%	8.8%
Fixed income	19.0%	3.6%
Real estate	9.0%	7.4%
Private equity	8.5%	13.3%
Hedge funds	9.0%	7.4%
Real assets	5.0%	10.4%

Discount Rate – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made in accordance with Sections 22D and 22F of Chapter 32 of MGL. Based on those assumptions, the Retirement System’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.

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
Town's proportionate share of the net pension liability	\$ 19,841,188	\$ 15,332,046	\$ 11,501,502

**B. Massachusetts Teachers Retirement System**

Teachers and certain administrative employees of the Town’s school department participate in the Massachusetts Teachers’ Retirement System (“MTRS”), a cost-sharing multiple employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the Retirement System, MTRS was established under Chapter 32 of MGL. The Commonwealth’s legislature has the authority to amend or modify the MTRS’s funding policies.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

For the year ended June 30, 2018, the Commonwealth contributed \$1,334,895 to the MTRS on behalf of the Town. The Town’s proportionate share of the collective MTRS net pension liability at this reporting date was 0.108%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The net pension liability assumed by the Commonwealth on behalf of the Town at June 30, 2018 was \$24,726,197. The pension expense assumed by the Commonwealth on behalf of the Town for fiscal year 2018 was \$2,580,745. The Town recognized \$2,580,745 in intergovernmental revenue and pension expense relative to this arrangement.

**C. Other Postemployment Benefits**

The Town administers a single-employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Chapter 32B of Massachusetts General Law Chapter 32B.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town’s financial statements. OPEB Plan disclosures can be found in this footnote disclosure.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2018:

Inactive employees or beneficiaries receiving benefits	150
Active employees	<u>193</u>
	<u>343</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 25% of the calculated health and life insurance premiums. The remainder of the cost is funded by the Town. The Town currently contributes enough money to the OPEB Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions in varying amounts annually. The costs of administering the OPEB Plan are paid by the Town.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated December 31, 2017.

The components of the net OPEB Liability of the Town at June 30, 2018 were as follows:

Total OPEB liability	\$ 42,857,279
Plan fiduciary net position	<u>(104,889)</u>
Net OPEB liability	<u>\$ 42,752,390</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.2%

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Valuation date	December 31, 2017
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value of assets as of reporting date
Healthcare cost trend rates	1.50% for year 1 then 7.00% decreasing by 0.50% for 5 years to an ultimate level of 4.50% per annum
Salary increases	5.50% per annum decreasing over six years to an ultimate level of 3.50% for non-teachers; for teachers, 7.50% decreasing over twenty years to an ultimate level of 4.00%
Investment rate of return	7.00% per annum
Discount rate	3.87% per annum
Mortality rates	Pre-retirement (non-teachers): RP-2014 Blue Collar Employee Mortality Table projected generationally with scale MP-2016 set forward one year for females.  Healthy (non-teachers): RP-2014 Blue Collard Healthy Annuitant Mortality Table projected generationally with scale MP-2016 set forward on year for females.  Disabled (non-teachers): RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB2D from 2015.  Pre-retirement (teachers): RP-2014 White Collar Employee Mortality Table projected generationally with scale MP-2016.  Healthy and Disabled (teachers): RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with scale MP-2016.

The long-term expected rate of return on OPEB 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 OPEB 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 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity - large cap	6.15%
International equity - developed markets	7.11%
International equity - emerging markets	9.41%
Core fixed income	1.68%
High-yield fixed income	4.13%
Real estate	4.90%
Commodities	4.71%
Hedge fund, GTAA, risk parity	3.94%
Private equity	10.28%

Discount Rate – The discount rate used to measure the total OPEB liability was 3.87%, which represents the yield or index rate for twenty-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher at June 30, 2018 as shown in the Bond Buyer 20-Bond General Obligation Index.

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2018:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2017	\$ 42,622,119	\$ 99,144	\$ 42,522,975
Changes for the year:			-
Service cost	1,630,896	-	1,630,896
Interest	1,563,264	-	1,563,264
Changes in benefit terms	(1,721,186)	-	(1,721,186)
Changes in assumptions	(3,979,293)	-	(3,979,293)
Experience differences	3,924,721	-	3,924,721
Employer contributions	-	1,183,242	(1,183,242)
Net investment income	-	5,745	(5,745)
Benefit payments	(1,183,242)	(1,183,242)	-
Net changes	235,160	5,745	229,415
Balances at June 30, 2018	\$ 42,857,279	\$ 104,889	\$ 42,752,390

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate:

	Current Discount		
	1% Decrease	Rate	1% Increase
Net OPEB liability	\$ 50,089,517	\$ 42,752,390	\$ 35,899,141

The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% lower or 1.0% higher than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
Net OPEB liability	\$ 36,245,191	\$ 42,752,390	\$ 51,103,147

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the Town recognized OPEB expense of \$1,457,176. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2018 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,270,601	\$ -
Changes of assumptions	-	3,316,076
Net difference between projected and actual earnings on pension plan investments	956	-
	<u>\$ 3,271,557</u>	<u>\$ 3,316,076</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

<u>Year ended June 30,</u>	
2019	\$ (8,857)
2020	(8,857)
2021	(8,857)
2022	(8,857)
2023	(9,091)
	<u>\$ (44,519)</u>

Investment Custody – In accordance with MGL, the Town Treasurer is the custodian of the OPEB Plan and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Policy – The OPEB Plan does not have a formal investment policy at this time. The OPEB Plan invests its funds in permissible investments as stipulated by the Commonwealth.

Investment Rate of Return – For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was approximately 5.8%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### **D. Risk Financing**

The Town is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; natural disasters; and various employee benefits including health, worker's compensation, and unemployment compensation. The Town essentially transfers its risk through payment of its annual assessment, which is adjusted according to the Town's experience history. All insurance except health (see below) is carried through conventional, commercial carriers.

The Town is a member of the West Suburban Health Group ("WSHG"), a public entity risk pool established in accordance with MGL. WSHG is a common risk management and insurance program servicing thirteen towns, two educational collaborative and one school district. The Town pays a monthly premium to WSHG for its health insurance coverage for all active and retired employees. The Municipal Health Group Agreement for Joint Negotiation and Purchase of Health Coverage provides that WSHG will be self-insured through member assessments and will reinsure through commercial companies for claims in excess of \$100,000 per individual policy year. Town management and WSHG believe that member assessments are adequate to meet all claims incurred but not reported as of June 30, 2018.

#### **E. Commitments and Contingencies**

General – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2018, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2018.

Appellate Tax Board – From time to time, the Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts ("ATB"). At June 30, 2018, there were no outstanding cases at ATB.



*Grant Compliance* – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, would not have a material effect on its financial condition.

*Arbitrage* – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town expects the amount if any, in these situations, to be immaterial.

#### **IV. Implementation of New GASB Pronouncements**

##### **A. Current Year Implementations**

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. GASB 75 established new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement became effective in fiscal year 2018. The adoption of this accounting standard resulted in a reduction in beginning net position of approximately \$23.5 million and \$0.4 million in the Town's governmental and business-type activities, respectively. Refer to Note V.

In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement was to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement became effective in fiscal year 2018 and did not have a material impact on the Town's financial statements.

In May 2017, the GASB issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of the Statement was to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions of this Statement became effective in fiscal year 2018 and did not have a material impact on the Town's financial statements.

##### **B. Future Year Implementations**

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement is to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In April 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

V. **Restatements**

The following table illustrates the restatements made to the beginning balances in net position and fund balances at June 30, 2017 in the Town’s government-wide financial statements:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position at June 30, 2017, as previously reported	\$ 11,292,918	\$ 9,256,064
Eliminate recorded net OPEB obligation	18,045,528	539,718
Record net OPEB liability	(41,583,217)	(939,758)
Record receivable due from MCWT	-	427,665
Reclassify net pension liability	<u>(215,722)</u>	<u>215,722</u>
Net position at June 30, 2017, as restated	<u>\$ (12,460,493)</u>	<u>\$ 9,499,411</u>

In addition to the restatements described above, the Town reclassified \$233,410 in capital project funds previously reported in its nonmajor governmental funds to a newly reported capital projects fund in the Town’s governmental funds financial statements. As a result, the beginning fund balance in the nonmajor governmental funds decreased from \$2,864,627 to \$2,641,217 in these basic financial statements.

\* \* \* \* \*

**TOWN OF WRENTHAM, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**  
**YEAR ENDED JUNE 30, 2018**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
*(dollar amounts are in thousands)*

	<u>2018</u>	Year Ended June 30,		<u>2015</u>
		<u>2017</u>	<u>2016</u>	
Town's proportion of the net pension liability (asset)	2.77%	2.83%	2.83%	2.81%
Town's proportionate share of the net pension liability (asset)	\$ 15,332	\$ 14,778	\$ 15,379	\$ 14,594
Town's covered payroll	\$ 8,608	\$ 8,213	\$ 7,741	\$ 6,914
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	178.1%	179.9%	198.7%	211.1%
Plan fiduciary net position as a percentage of the total pension liability	63.5%	61.6%	58.6%	60.1%

**SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN**  
*(dollar amounts are in thousands)*

	<u>2018</u>	Years Ended June 30,		<u>2015</u>
		<u>2017</u>	<u>2016</u>	
Actuarially determined contribution	\$ 1,775	\$ 1,569	\$ 1,423	\$ 1,362
Contributions in relation to the actuarially determined contribution	<u>1,775</u>	<u>1,569</u>	<u>1,423</u>	<u>1,362</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 8,608	\$ 8,213	\$ 7,741	\$ 6,914
Contributions as a percentage of covered payroll	20.6%	19.1%	18.4%	19.7%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - MTRS  
YEAR ENDED JUNE 30, 2018**

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**SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY**  
*(dollar amounts are in thousands)*

	2017	Year Ended June 30,		2014
	2016	2015		
Commonwealth's proportion of the collective net pension liability (asset)	100.0%	100.0%	100.0%	100.0%
Town's proportion of the collective net pension liability (asset)	0.0%	0.0%	0.0%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 22,885,391	\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
Commonwealth's actuarially determined contribution	\$ 1,235,515	\$ 1,124,583	\$ 1,021,930	\$ 937,379

Contributions to MTRS are the responsibility of the Commonwealth of Massachusetts.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN  
YEAR ENDED JUNE 30, 2018**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**

	<u>2018</u>	<u>2017</u>
Total OPEB liability:		
Service cost	\$ 1,630,896	\$ 1,788,335
Interest	1,563,264	1,349,911
Changes in benefit terms	(1,721,186)	-
Differences between expected and actual experience	3,924,721	-
Changes in assumptions	(3,979,293)	(5,566,767)
Benefit payments	<u>(1,183,242)</u>	<u>(1,045,330)</u>
Net change in total OPEB liability	235,160	(3,473,851)
Total OPEB liability - beginning of year	<u>46,622,119</u>	<u>46,095,970</u>
Total OPEB liability - end of year (a)	<u>\$ 46,857,279</u>	<u>\$ 42,622,119</u>
Plan fiduciary net position:		
Contributions	\$ 1,283,242	\$ 1,046,186
Net investment income	4,889	(856)
Benefit payments	<u>(1,183,242)</u>	<u>(1,045,330)</u>
Net change in Plan fiduciary net position	104,889	-
Plan fiduciary net position - beginning of year	<u>-</u>	<u>-</u>
Plan fiduciary net position - end of year (b)	<u>\$ 104,889</u>	<u>\$ -</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 46,752,390</u>	<u>\$ 42,622,119</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.2%	0.0%
Covered payroll	N/A	\$ 14,023,295
Net OPEB liability as a percentage of covered payroll	N/A	303.9%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN  
YEAR ENDED JUNE 30, 2018**

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**SCHEDULE OF CONTRIBUTIONS**

	<u>2018</u>	<u>2017</u>
Actuarially-determined contribution	\$ 2,310,873	\$ 2,770,731
Contributions in relation to the actuarially-determined contribution	<u>(1,183,242)</u>	<u>(1,145,330)</u>
Contribution deficiency (excess)	<u>\$ 1,127,631</u>	<u>\$ 1,625,401</u>
Covered payroll	N/A	\$ 17,023,295
Contribution as a percentage of covered payroll	N/A	6.7%

**Notes to Schedule**

Valuation date	December 31, 2017
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value of assets as of reporting date
Healthcare cost trend rates	1.50% for year 1 then 7.00% decreasing by 0.50% for 5 years to an ultimate level of 4.50% per annum
Salary increases	5.50% per annum decreasing over six years to an ultimate level of 3.50% for non-teachers; for teachers, 7.50% decreasing over twenty years to an ultimate level of 4.00%
Investment rate of return	7.00% per annum
Discount rate	3.87% per annum

**SCHEDULE OF INVESTMENT RETURNS**

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	5.80%	-0.80%

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<b>Revenues:</b>						
Real estate and personal property	\$ 31,899,295	\$ 31,899,295	\$ 32,004,575		\$ 32,004,575	\$ 105,280
Intergovernmental	5,122,398	5,122,398	5,305,594		5,305,594	183,196
Motor vehicle and other excises	1,864,570	1,864,570	2,424,717		2,424,717	560,147
Licenses and permits	410,000	410,000	1,491,693		1,491,693	1,081,693
Departmental and other revenue	249,650	249,650	406,762		406,762	157,112
Penalties and interest	160,000	160,000	291,676		291,676	131,676
Fines and forfeitures	75,000	75,000	55,724		55,724	(19,276)
Investment income	25,000	25,000	81,208		81,208	56,208
<b>Total Revenues</b>	<b>39,805,913</b>	<b>39,805,913</b>	<b>42,061,949</b>		<b>42,061,949</b>	<b>2,256,036</b>
<b>Expenditures:</b>						
General government	2,046,789	2,151,746	1,865,827	\$ 53,406	1,919,233	232,513
Public safety	5,781,178	5,784,578	5,663,677	42,853	5,706,530	78,048
Education	22,461,291	22,587,596	22,485,883	85,797	22,571,680	15,916
Public works	2,727,474	2,835,746	2,608,552	32,800	2,641,352	194,394
Health and human services	440,950	443,288	424,219	-	424,219	19,069
Culture and recreation	481,358	484,877	468,165	24	468,189	16,688
Fringe and pension benefits	6,728,438	6,728,438	6,724,025	-	6,724,025	4,413
State and county tax assessments	553,963	553,963	618,581	-	618,581	(64,618)
Debt service	1,586,510	1,600,510	1,581,177	-	1,581,177	19,333
<b>Total Expenditures</b>	<b>42,807,951</b>	<b>43,170,742</b>	<b>42,440,106</b>	<b>\$ 214,880</b>	<b>42,654,986</b>	<b>515,756</b>
<b>Other Financing Sources (Uses):</b>						
Transfers in	817,988	838,057	994,818		994,818	156,761
Transfers out	-	(91,000)	(121,000)		(121,000)	30,000
<b>Total Other Financing Sources (Uses)</b>	<b>817,988</b>	<b>747,057</b>	<b>873,818</b>		<b>873,818</b>	<b>186,761</b>
<b>(Deficiency) Excess of Revenues and Other Financing Sources over Expenditures/Uses of Prior Year Budgetary Fund Balance</b>						
	<b>(2,184,050)</b>	<b>(2,617,772)</b>	<b>\$ 495,661</b>		<b>\$ 280,781</b>	<b>\$ 2,958,553</b>
<b>Other Budgetary Items:</b>						
Prior year encumbrances	629,754	629,754				
Free cash	1,556,378	1,890,100				
Snow and ice deficit	-	100,000				
Other budgetary items	(2,082)	(2,082)				
<b>Total Other Budgetary Items</b>	<b>2,184,050</b>	<b>2,617,772</b>				
<b>Net Budget</b>	<b>\$ -</b>	<b>\$ -</b>				

See accompanying independent auditors' report.

See notes to the required supplementary information of this schedule.



**TOWN OF WRENTHAM, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2018**

**Budgetary Basis of Accounting**

An annual budget is legally adopted for the general fund and enterprise funds. Financial orders are initiated by the Town Administrator, recommended by the Town Finance Committee and approved at the annual Town meeting each spring. Expenditures may not legally exceed appropriations at the department level or in the categories of personnel and non-personnel expenses. Department heads may transfer, without Town Meeting approval, appropriation balances from one account to another within their department or budget and within the categories of personnel and non-personnel. The Town Meeting must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance. The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2018, supplemental budgetary appropriations were not significant. The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted by Town Meeting. Budgetary control is exercised through the Town's accounting system.

The Town's general fund is prepared on a basis of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue. A reconciliation of the budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2018, is as follows:

	<u>Basis of Accounting Differences</u>	<u>Fund Perspective Differences</u>	<u>Total</u>
Revenues on a budgetary basis			\$ 42,061,949
Revenue recognition	\$ (53,393)	\$ -	(53,393)
Stabilization revenue	-	26,874	26,874
MTRS on-behalf pension payments	<u>2,580,745</u>	<u>-</u>	<u>2,580,745</u>
Revenues on a GAAP basis	<u>\$ 2,527,352</u>	<u>\$ 26,874</u>	<u>\$ 44,616,175</u>
Expenditures on a budgetary basis			\$ 42,440,106
Expenditure recognition	\$ (447,988)	\$ -	(447,988)
OPEB funding contributions	-	30,000	30,000
MTRS on-behalf pension payments	<u>2,580,745</u>	<u>-</u>	<u>2,580,745</u>
Revenues on a GAAP basis	<u>\$ 2,132,757</u>	<u>\$ 30,000</u>	<u>\$ 44,602,863</u>
Net transfers on a budgetary basis			\$ 873,818
Stabilization fund transfers	\$ -	\$ 91,000	91,000
Expenditure recognition	(447,992)	-	(447,992)
Debt premium fund transfers	-	(152,842)	(152,842)
OPEB funding contributions	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Net transfers on a GAAP basis	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 393,984</u>



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Honorable Members of the Board of Selectmen  
Town of Wrentham, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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 (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 11, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Roselli, Clark & Associates*

Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
February 11, 2019