

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

**TOWN OF WRENTHAM, MASSACHUSETTS**

Report on Examination of  
Basic Financial Statements  
and Additional Information  
Year Ended June 30, 2019

Report on Internal Control  
Over Financial Reporting and  
on Compliance and Other Matters  
Year Ended June 30, 2019



# 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, 2019, 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, 2019, 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.

## 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 December 3, 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, contracts, 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  
Certified Public Accountants  
Woburn, Massachusetts  
December 3, 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, 2019. 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'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 nearly \$3.6 million.
- The Town reported a nearly \$14.8 million deficit net position in its governmental activities and an approximate \$11.2 million positive net position in its water enterprise. Included in the Town's unrestricted net position (deficit) in its governmental activities is approximately \$63.8 million in liabilities associated with the Town's net pension and other postemployment benefits, or OPEB, liabilities.
- The Town's total net position deficit decreased over \$1.9 million in fiscal year 2019. The primary cause of this decline was the recording of non-cash personnel benefit expenses related to the Town's net pension and OPEB liabilities, which totaled approximately \$4.1 million in the 2019 in the aggregate.
- At June 30, 2019, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$11.5 million, which was consistent with the prior year.
- Of the ending fund balance in the Town's governmental funds, approximately \$4.2 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.
- At June 30, 2019, the unassigned fund balance for the general fund was approximately 9% of fiscal year 2019 total general fund expenditures and the total general fund balance was approximately 16% of that figure.
- The Town's total long-term debt in its governmental activities and business-type activities decreased by nearly \$1.5 million in 2019 did not issue any long-term debt in 2019. At June 30, 2019, the Town's total long-term debt was approximately \$6.5 million.

### **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, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>Assets:</b>						
Current and other assets	\$ 16,228,729	\$ 16,853,604	\$ 5,273,291	\$ 5,034,399	\$ 21,502,020	\$ 21,888,003
Capital assets, net	34,659,557	35,473,458	10,700,083	10,097,107	45,359,640	45,570,565
<b>Total Assets</b>	<b>50,888,286</b>	<b>52,327,062</b>	<b>15,973,374</b>	<b>15,131,506</b>	<b>66,861,660</b>	<b>67,458,568</b>
Deferred Outflows of Resources	8,263,087	6,235,327	281,540	221,700	8,544,627	6,457,027
<b>Liabilities:</b>						
Long-term liabilities	67,024,383	60,419,853	4,403,039	4,502,716	71,427,422	64,922,569
Other liabilities	3,733,377	4,114,473	534,453	523,479	4,267,830	4,637,952
<b>Total Liabilities</b>	<b>70,757,760</b>	<b>64,534,326</b>	<b>4,937,492</b>	<b>5,026,195</b>	<b>75,695,252</b>	<b>69,560,521</b>
Deferred Inflows of Resources	3,192,429	5,805,174	80,087	180,186	3,272,516	5,985,360
<b>Net Position:</b>						
Net investment in capital assets	30,745,585	30,911,712	7,873,542	7,880,057	38,619,127	38,791,769
Restricted	7,243,610	2,952,978	-	-	7,243,610	2,952,978
Unrestricted	(52,788,011)	(45,641,801)	3,363,793	2,266,768	(49,424,218)	(43,375,033)
<b>Total Net Position</b>	<b>\$ (14,798,816)</b>	<b>\$ (11,777,111)</b>	<b>\$ 11,237,335</b>	<b>\$ 10,146,825</b>	<b>\$ (3,561,481)</b>	<b>\$ (1,630,286)</b>

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 nearly \$3.6 million (*deficit net position*). The Town continues to report a deficit in its unrestricted net position in its governmental activities, which totaled nearly \$52.8 million at June 30, 2019. Included in this deficit is approximately \$63.8 million and \$56.4 million of net pension and other postemployment liabilities at June 30, 2019 and 2018, respectively. These non-cash personnel benefit liabilities are the primary contributors to these reported deficits.

The largest portion (approximately \$38.6 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 \$7.2 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 \$49.4 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	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,512,316	\$ 3,489,079	\$ 2,291,640	\$ 2,396,281	\$ 5,803,956	\$ 5,885,360
Operating grants and contributions	7,694,764	7,585,100	-	-	7,694,764	7,585,100
Capital grants and contributions	120,726	529,505	1,040,445	751,957	1,161,171	1,281,462
General revenues:						
Property taxes	33,018,503	32,335,786	-	-	33,018,503	32,335,786
Excise taxes	2,380,463	2,408,850	-	-	2,380,463	2,408,850
Intergovernmental	955,197	931,398	-	-	955,197	931,398
Other	300,295	383,759	45,126	22,856	345,421	406,615
<b>Total Revenues</b>	<b>47,982,264</b>	<b>47,663,477</b>	<b>3,377,211</b>	<b>3,171,094</b>	<b>51,359,475</b>	<b>50,834,571</b>
<b>Expenses:</b>						
General government	2,907,522	2,621,300	-	-	2,907,522	2,621,300
Public safety	8,918,749	7,812,626	-	-	8,918,749	7,812,626
Education	33,201,388	31,054,792	-	-	33,201,388	31,054,792
Public works	3,767,885	3,730,383	-	-	3,767,885	3,730,383
Health and human services	819,116	679,045	-	-	819,116	679,045
Culture and recreation	1,253,787	890,000	-	-	1,253,787	890,000
Interest expense	135,522	191,949	-	-	135,522	191,949
Water services	-	-	2,286,701	2,523,680	2,286,701	2,523,680
<b>Total Expenses</b>	<b>51,003,969</b>	<b>46,980,095</b>	<b>2,286,701</b>	<b>2,523,680</b>	<b>53,290,670</b>	<b>49,503,775</b>
Change in Net Position Before Transfers	(3,021,705)	683,382	1,090,510	647,414	(1,931,195)	1,330,796
Transfers	-	-	-	-	-	-
<b>Change in Net Position</b>	<b>(3,021,705)</b>	<b>683,382</b>	<b>1,090,510</b>	<b>647,414</b>	<b>(1,931,195)</b>	<b>1,330,796</b>
<b>Net Position:</b>						
Beginning of year	(11,777,111)	(12,460,493)	10,146,825	9,499,411	(1,630,286)	(2,961,082)
End of year	\$ (14,798,816)	\$ (11,777,111)	\$ 11,237,335	\$ 10,146,825	\$ (3,561,481)	\$ (1,630,286)

**Governmental Activities.** Property taxes continue to represent the majority of the Town's total revenues. In fiscal year 2019, property taxes represented approximately 69% of total revenues, which was consistent with the prior year. In terms of actual dollars, the Town's property tax revenues increased nearly \$683,000, or 2%, year-over-year. This increase was consistent with the Proposition 2 ½ limitation plus new growth. Operating grants represented approximately 16% of both fiscal years 2019 and 2018 total revenues. No other revenue source exceeded 10% in either fiscal year 2019 or 2018.

Total expenses increased over \$4.0 million in fiscal year 2019 versus the prior year. The most significant increase was a \$2.4 million increase in OPEB expenses. The remainder of the increase was due to normal inflation. The Town's largest expense category is education, which the Town continues to devote substantial resources towards. Education expenses totaled approximately 65% and 66% of total fiscal year 2019 and 2018 expenses, respectively. In terms of gross dollars, education expenses increased over \$2.1 million in fiscal year 2019, which was primarily due to the increase in the Town's OPEB expenses. Public safety expenses represented approximately 17% of both fiscal year 2019 and 2018 total expenses. No other expense categories were greater than 10% in fiscal years 2019 or 2018.

**Business-Type Activities.** User charges represent the majority of the reported revenues in both fiscal years 2019 and 2018. Business-type revenues increased approximately \$206,000 in fiscal year 2019 while total expenses decreased nearly \$237,000. The revenue increase was due primarily to the timing of water improvement awards from the Commonwealth of Massachusetts for water main infrastructure work. The expense decrease was due to a decrease in non-capitalizable costs year-over-year.

## **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 \$11.5 million, which was consistent with the prior year. The Town reported positive changes in fund balance in its community preservation fund and nonmajor governmental funds; these were offset by declines in the general fund and capital projects fund. Of the ending fund balance, approximately \$4.2 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 \$4.2 million, while total fund balance was over \$7.5 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 9% of total 2019 general fund expenditures, while total fund balance represents approximately 16% 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, 2019, the community preservation fund balance totaled nearly \$561,000.

The Town maintains a capital projects fund, which is restricted for town-wide capital items. At June 30, 2019, the fund balance in the capital projects fund approached \$371,000.

The Town reports approximately \$3.0 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, 2019, the net position in the water enterprise exceeded \$11.2 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, 2019, the Town's investment in capital assets for its governmental and business-type activities approximated \$34.7 million and \$10.7 million, respectively. Governmental and business-type net fixed assets decreased nearly \$211,000 in the aggregate as depreciation expense exceeded capital additions in 2019.

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 \$6.5 million. The Town's total long-term bonded debt decreased by nearly \$1.5 million during the current fiscal year as it did not issue any new long-term debt.

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 \$166 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 2019 are approximately 76% 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 2.5% of the previous year's tax levy. The Town typically taxes at or near its levy limit annually.
- The Town continues to experience growth in new home construction.
- The Town expects net state aid for 2020 to decrease over \$181,000 from 2019 expected net state aid.
- The Town's free cash for its general fund as of July 1, 2019 was certified as approximately \$1.9 million.

Each of these factors were considered in preparing the Town's budget for the 2020 fiscal year, which was adopted at Town Meeting in June 2019.

## **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, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 10,850,204	\$ 3,077,693	\$ 13,927,897
Investments	2,767,844	-	2,767,844
Receivables, net of allowances:			
Property taxes	1,443,874	-	1,443,874
Excise taxes	255,158	-	255,158
Departmental, user charges and other	478,951	879,424	1,358,375
Intergovernmental	477,824	1,271,048	1,748,872
Internal balances	(45,126)	45,126	-
Land	4,631,656	645,101	5,276,757
Construction in-progress	-	77,000	77,000
Depreciable capital assets, net	<u>30,027,901</u>	<u>9,977,982</u>	<u>40,005,883</u>
<b>Total Assets</b>	<u>50,888,286</u>	<u>15,973,374</u>	<u>66,861,660</u>
<b>Deferred Outflows of Resources:</b>			
Other postemployment benefits	4,700,370	106,226	4,806,596
Pensions	<u>3,562,717</u>	<u>175,314</u>	<u>3,738,031</u>
<b>Total Deferred Outflows of Resources</b>	<u>8,263,087</u>	<u>281,540</u>	<u>8,544,627</u>
<b>Liabilities:</b>			
Warrants and accounts payable	1,600,470	168,811	1,769,281
Accrued payroll and withholdings	1,051,172	23,373	1,074,545
Accrued interest	26,046	6,711	32,757
Other liabilities	6,674	-	6,674
Noncurrent liabilities:			
Due within one year	1,049,015	335,558	1,384,573
Due in more than one year	<u>67,024,383</u>	<u>4,403,039</u>	<u>71,427,422</u>
<b>Total Liabilities</b>	<u>70,757,760</u>	<u>4,937,492</u>	<u>75,695,252</u>
<b>Deferred Inflows of Resources:</b>			
Unearned revenues	160,965	-	160,965
Other postemployment benefits	2,596,352	58,676	2,655,028
Pensions	<u>435,112</u>	<u>21,411</u>	<u>456,523</u>
<b>Total Deferred Inflows of Resources</b>	<u>3,192,429</u>	<u>80,087</u>	<u>3,272,516</u>
<b>Net Position:</b>			
Net investment in capital assets	30,745,585	7,873,542	38,619,127
Restricted for:			
Nonexpendable permanent funds	294,663	-	294,663
Expendable permanent funds	223,971	-	223,971
Federal and state grants	465,951	-	465,951
Community preservation	560,971	-	560,971
Revolving funds	2,149,823	-	2,149,823
Other purposes	3,548,231	-	3,548,231
Unrestricted	<u>(52,788,011)</u>	<u>3,363,793</u>	<u>(49,424,218)</u>
<b>Total Net Position</b>	<u>\$ (14,798,816)</u>	<u>\$ 11,237,335</u>	<u>\$ (3,561,481)</u>

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

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	\$ 2,907,522	\$ 263,538	\$ 320,543	\$ -	\$ (2,323,441)		\$ (2,323,441)
Public safety	8,918,749	1,621,807	142,104	-	(7,154,838)		(7,154,838)
Education	33,201,388	1,083,156	7,068,463	-	(25,049,769)		(25,049,769)
Public works	3,767,885	132,564	2,761	120,726	(3,511,834)		(3,511,834)
Health and human services	819,116	174,239	113,452	-	(531,425)		(531,425)
Culture and recreation	1,253,787	237,012	47,441	-	(969,334)		(969,334)
Interest expense	135,522	-	-	-	(135,522)		(135,522)
<b>Total Governmental Activities</b>	<b>51,003,969</b>	<b>3,512,316</b>	<b>7,694,764</b>	<b>120,726</b>	<b>(39,676,163)</b>		<b>(39,676,163)</b>
<b>Business-Type Activities:</b>							
Water	2,286,701	2,291,640	-	1,040,445		\$ 1,045,384	1,045,384
<b>Total Primary Government</b>	<b>\$ 53,290,670</b>	<b>\$ 5,803,956</b>	<b>\$ 7,694,764</b>	<b>\$ 1,161,171</b>			<b>(38,630,779)</b>
<b>General Revenues:</b>							
Property taxes					33,018,503	-	33,018,503
Motor vehicle and other excise taxes					2,380,463	-	2,380,463
Grants and contributions not restricted to to specific programs					955,197	-	955,197
Penalties and interest on taxes					99,675	-	99,675
Unrestricted investment income					200,620	45,126	245,746
<b>Total General Revenues and Transfers</b>					<b>36,654,458</b>	<b>45,126</b>	<b>36,699,584</b>
<b>Change in Net Position</b>					<b>(3,021,705)</b>	<b>1,090,510</b>	<b>(1,931,195)</b>
<b>Net Position:</b>							
Beginning of year					(11,777,111)	10,146,825	(1,630,286)
End of year					\$ (14,798,816)	\$ 11,237,335	\$ (3,561,481)

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2019**

	General Fund	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>Assets:</b>					
Cash and cash equivalents	\$ 6,560,682	\$ 555,882	\$ 374,000	\$ 3,359,640	\$ 10,850,204
Investments	2,628,255	-	-	139,589	2,767,844
Receivables, net of allowances:					
Property taxes	1,438,323	5,551	-	-	1,443,874
Excise taxes	255,158	-	-	-	255,158
Departmental, user charges and other	-	-	-	478,951	478,951
Intergovernmental	350,095	-	-	127,729	477,824
Due from other fund	-	5,514	-	-	5,514
<b>Total Assets</b>	<b>11,232,513</b>	<b>566,947</b>	<b>374,000</b>	<b>4,105,909</b>	<b>16,279,369</b>
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 11,232,513</b>	<b>\$ 566,947</b>	<b>\$ 374,000</b>	<b>\$ 4,105,909</b>	<b>\$ 16,279,369</b>
<b>Liabilities:</b>					
Warrants and accounts payable	\$ 1,175,989	\$ 425	\$ 3,150	\$ 420,906	\$ 1,600,470
Accrued payroll and withholdings	976,388	-	-	74,784	1,051,172
Other liabilities	6,674	-	-	-	6,674
Due to other fund	50,640	-	-	-	50,640
<b>Total Liabilities</b>	<b>2,209,691</b>	<b>425</b>	<b>3,150</b>	<b>495,690</b>	<b>2,708,956</b>
<b>Deferred Inflows of Resources:</b>					
Unearned revenues	26,568	-	-	134,397	160,965
Unavailable revenues - property taxes	1,187,750	5,551	-	-	1,193,301
Unavailable revenues - intergovernmental	7,723	-	-	-	7,723
Unavailable revenues - other	255,158	-	-	478,951	734,109
<b>Total Deferred Inflows of Resources</b>	<b>1,477,199</b>	<b>5,551</b>	<b>-</b>	<b>613,348</b>	<b>2,096,098</b>
<b>Fund Balances:</b>					
Nonspendable	-	-	-	294,663	294,663
Restricted	483,262	560,971	370,850	2,702,208	4,117,291
Committed	84,958	-	-	-	84,958
Assigned	2,746,698	-	-	-	2,746,698
Unassigned	4,230,705	-	-	-	4,230,705
<b>Total Fund Balances</b>	<b>7,545,623</b>	<b>560,971</b>	<b>370,850</b>	<b>2,996,871</b>	<b>11,474,315</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 11,232,513</b>	<b>\$ 566,947</b>	<b>\$ 374,000</b>	<b>\$ 4,105,909</b>	<b>\$ 16,279,369</b>

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO THE STATEMENT OF NET POSITION AS OF  
JUNE 30, 2019**

Total Governmental Fund Balances		\$ 11,474,315
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.		34,659,557
Certain receivables and revenues are deferred in the governmental funds as they are not current financial resources. These revenues are accrued under the economic resources basis of accounting.		1,935,133
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:		
Deferred outflows of resources - other postemployment benefits	4,700,370	
Deferred outflows of resources - pensions	3,562,717	
Deferred inflows of resources - other postemployment benefits	(2,596,352)	
Deferred inflows of resources - pensions	<u>(435,112)</u>	
Net effect of reporting deferred outflows and inflows of resources		5,231,623
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.		(26,046)
Long-term liabilities not currently due and payable are reported in the statement of net position and not in the funds:		
Net other postemployment benefits liability	(46,543,327)	
Net pension liability	(17,236,887)	
Compensated absences	(234,650)	
Capital lease obligations	(200,625)	
Bonds and notes payable	<u>(3,857,909)</u>	
Net effect of reporting long-term liabilities		<u>(68,073,398)</u>
Net Position — Governmental Activities		<u>\$ (14,798,816)</u>

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>Revenues :</b>					
Property taxes, net of tax refunds	\$ 32,765,549	\$ 258,708	\$ -	\$ -	\$ 33,024,257
Intergovernmental	8,088,235	47,823	-	789,626	8,925,684
Motor vehicle and other excise taxes	2,325,176	-	-	-	2,325,176
Licenses and permits	1,014,371	-	-	-	1,014,371
Penalties and interest on taxes	99,337	338	-	-	99,675
Fines and forfeitures	38,651	-	-	-	38,651
Departmental and other revenues	450,329	-	-	2,029,102	2,479,431
Contributions and donations	-	-	-	133,995	133,995
Investment income	183,530	5,514	-	11,576	200,620
<b>Total Revenues</b>	<b>44,965,178</b>	<b>312,383</b>	<b>-</b>	<b>2,964,299</b>	<b>48,241,860</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	1,853,233	-	199,706	37,340	2,090,279
Public safety	6,232,780	-	-	120,821	6,353,601
Education	25,797,057	-	-	1,685,848	27,482,905
Public works	2,711,999	-	5,797	101,126	2,818,922
Health and human services	427,834	-	-	137,138	564,972
Culture and recreation	487,059	1,208	8,822	377,342	874,431
Pension and fringe benefits	6,236,730	-	-	-	6,236,730
State and county charges	765,727	-	-	-	765,727
<b>Debt service:</b>					
Principal	1,167,972	-	-	-	1,167,972
Interest	177,536	-	-	-	177,536
<b>Total Expenditures</b>	<b>45,857,927</b>	<b>1,208</b>	<b>214,325</b>	<b>2,459,615</b>	<b>48,533,075</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(892,749)</b>	<b>311,175</b>	<b>(214,325)</b>	<b>504,684</b>	<b>(291,215)</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from capital lease	266,625	-	-	-	266,625
Transfers in	538,137	-	-	16,148	554,285
Transfers out	-	-	(77,346)	(476,939)	(554,285)
<b>Total Other Financing Sources (Uses)</b>	<b>804,762</b>	<b>-</b>	<b>(77,346)</b>	<b>(460,791)</b>	<b>266,625</b>
<b>Change in Fund Balances</b>	<b>(87,987)</b>	<b>311,175</b>	<b>(291,671)</b>	<b>43,893</b>	<b>(24,590)</b>
<b>Fund Balances:</b>					
Beginning of the year	7,633,610	249,796	662,521	2,952,978	11,498,905
End of the year	\$ 7,545,623	\$ 560,971	\$ 370,850	\$ 2,996,871	\$ 11,474,315

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, 2019**

Change in Fund Balances — Total Governmental Funds \$ (24,590)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives. Capital asset activity in the current fiscal year included:

Capital asset additions	1,183,069	
Depreciation expense	(1,996,970)	
Net effect of reporting capital activity		(813,901)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (259,598)

The issuance of long-term debt provides current financial resources to the 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, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. Differences in the treatment of long-term debt transactions in the current fiscal year included:

Issuance of capital lease obligations	(266,625)	
Repayments of long-term debt	1,167,972	
Repayments of capital lease obligations	137,646	
Amortization of bond premiums	36,567	
Net effect of reporting long-term debt activity		1,075,560

Some revenues/expenses reported in the statement of activities do not provide/require the use of current financial resources and therefore are not reported as revenues/expenses in the governmental funds:

Net other postemployment benefits liability	(2,588,211)	
Net pension liability	(359,949)	
Compensated absences	(57,889)	
Accrued interest	6,873	
Net effect of reporting long-term liabilities		(2,999,176)

Change in Net Position — Governmental Activities \$ (3,021,705)

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

	Business-Type Activities
	Water
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 3,077,693
Receivables, net of allowances:	
User charges and other	879,424
Intergovernmental	1,005,941
Due from general fund	45,126
Total Current Assets	5,008,184
Noncurrent Assets:	
Intergovernmental receivables	265,107
Land	645,101
Construction in-progress	77,000
Depreciable capital assets, net	9,977,982
Total Noncurrent Assets	10,965,190
Total Assets	15,973,374
Deferred Outflows of Resources:	
Other postemployment benefits	106,226
Pensions	175,314
Total Deferred Outflows of Resources	281,540
Liabilities:	
Current Liabilities:	
Warrants and accounts payable	168,811
Accrued payroll and withholdings	23,373
Accrued interest	6,711
Compensated absences	2,403
Current portion of long-term debt	333,155
Total Current Liabilities	534,453
Noncurrent liabilities:	
Compensated absences	9,610
Net other postemployment benefits liability	1,051,853
Net pension liability	848,190
Long-term debt	2,493,386
Total Noncurrent Liabilities	4,403,039
Total Liabilities	4,937,492
Deferred Inflows of Resources:	
Other postemployment benefits	58,676
Pensions	21,411
Total Deferred Inflows of Resources	80,087
Net Position:	
Net investment in capital assets	7,873,542
Unrestricted	3,363,793
Total Net Position	\$ 11,237,335

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**PROPRIETARY FUNDS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<u>Business-Type Activities</u>
	<u>Water</u>
Operating Revenues:	
Charges for services	\$ 2,177,941
Other operating revenues	<u>113,699</u>
Total Operating Revenues	<u>2,291,640</u>
Operating Expenses:	
Payroll and personnel costs	1,135,777
Operating costs	466,138
Depreciation	<u>517,796</u>
Total Operating Expenses	<u>2,119,711</u>
Operating Income	<u>171,929</u>
Nonoperating Revenues (Expenses):	
Investment income	45,126
Interest expenses	<u>(166,990)</u>
Total Nonoperating Revenues (Expenses)	<u>(121,864)</u>
Income Before Capital Contributions	<u>50,065</u>
Total Capital Contributions	<u>1,040,445</u>
Change in Net Position	1,090,510
Net Position:	
Beginning of the year	<u>10,146,825</u>
End of the year	<u>\$ 11,237,335</u>

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<u>Business-Type Activities</u>
	<u>Water</u>
Cash Flows from Operating Activities:	
Receipts from user charges	\$ 2,137,792
Receipts from other operating revenues	113,699
Payments to employees	(1,039,530)
Payments to vendors	<u>(482,472)</u>
Net Cash Provided By Operating Activities	<u>729,489</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from capital grants	146,408
Acquisition and construction of capital assets	(1,120,772)
Principal repayments on long-term debt	(328,155)
Interest payments	<u>(167,390)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(1,469,909)</u>
Net Change in Cash and Cash Equivalents	(740,420)
Cash and Cash Equivalents:	
Beginning of the year	<u>3,818,113</u>
End of the year	<u>\$ 3,077,693</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income	\$ 171,929
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation expense	517,796
Changes in assets, deferred outflows (inflows) of resources and liabilities:	
Receivables and other current assets	(40,149)
Warrants payable and other current liabilities	7,039
Accrued and deferred benefits payable	<u>72,874</u>
Net Cash Provided By Operating Activities	<u>\$ 729,489</u>

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2019**

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	<u>OPEB Trust</u>	<u>Agency Funds</u>
Assets:		
Cash and cash equivalents	\$ 5,872	\$ 565,908
Investments in mutual funds at fair value	234,166	-
Receivables	<u>-</u>	<u>178,351</u>
Total Assets	<u>240,038</u>	<u>\$ 744,259</u>
Liabilities:		
Warrants and accounts payable	-	\$ 42,954
Agency liabilities	<u>-</u>	<u>701,305</u>
Total Liabilities	<u>-</u>	<u>\$ 744,259</u>
Net Position:		
Restricted for other postemployment benefits	<u>240,038</u>	
Total Net Position	<u>\$ 240,038</u>	

See accompanying notes to basic financial statements.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**JUNE 30, 2019**

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	<u>OPEB Trust</u>
Additions:	
Employer contributions	\$ 1,228,308
Investment income:	
Interest and dividends	3,579
Net appreciation in fair value of investments	12,016
Less investment management fees	<u>(446)</u>
Total net investment income	<u>15,149</u>
Total Additions	<u>1,243,457</u>
Deductions:	
Benefits to retirees and survivors	<u>1,108,308</u>
Total Deductions	<u>1,108,308</u>
Change in Net Position	135,149
Net Position:	
Beginning of the year	<u>104,889</u>
End of the year	<u>\$ 240,038</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, 2019

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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 2019, the Town’s assessment was \$10,323,127. 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 its water operations as a major 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 restrictions are presented as follows:

*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.

*Community preservation funds* represent financial resources accumulated for community and historical preservation projects.

*State and federal grants funds* represent funds received from other governments and whose use is restricted based on the other government's award specifications.

*Revolving funds* represent funds generated from activities, programs or services outside the general fund and must be expended on the activities, programs or services that generated the revenue.

*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.

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

	General	Community Preservation Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 294,663	\$ 294,663
Restricted:					
Expendable permanent funds	-	-	-	223,971	223,971
General government	-	-	-	376,537	376,537
Public safety	-	-	-	688,680	688,680
Education	-	-	-	891,633	891,633
Public works	-	-	353,550	185,542	539,092
Community preservation	-	560,971	-	-	560,971
Capital improvements stabilization	483,262	-	-	-	483,262
Other purposes	-	-	17,300	335,845	353,145
Committed:					
General government	19,958	-	-	-	19,958
Education	65,000	-	-	-	65,000
Assigned:					
Other purposes	205,827	-	-	-	205,827
Subsequent year's budget	2,540,871	-	-	-	2,540,871
Unassigned					
General stabilization	1,816,972	-	-	-	1,816,972
Unrestricted	2,413,733	-	-	-	2,413,733
	<u>\$ 7,545,623</u>	<u>\$ 560,971</u>	<u>\$ 370,850</u>	<u>\$ 2,996,871</u>	<u>\$ 11,474,315</u>

Stabilization Funds – The Town maintains two stabilization funds. The general stabilization fund may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The capital improvements stabilization fund 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.

#### **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 \$57,556, 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, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Debt securities:				
U.S. Treasury notes	\$ 1,827,040	\$ 1,827,040	\$ -	\$ -
U.S. Governmental agency obligations	498,482	-	498,482	-
Total debt securities	2,325,522	1,827,040	498,482	-
Equity securities	56,550	56,550	-	-
Mutual funds	234,165	-	234,165	-
Total investments measured at fair value	2,616,237	\$ 1,883,590	\$ 732,647	\$ -
Investments measured at amortized cost:				
MMDT	385,773			
Total investments	\$ 3,002,010			

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, 2019, \$4,898,611 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, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Time Until Maturity (in years)</u>		
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
U.S. government and agency obligations	\$ 2,325,522	\$ 1,500,223	\$ 825,299	\$ -
Total investments with maturities	<u>2,325,522</u>	<u>\$ 1,500,223</u>	<u>\$ 825,299</u>	<u>\$ -</u>
Other Investments:				
Equity securities	56,550			
Mutual funds	234,165			
MMDT	<u>385,773</u>			
Total investments	<u>\$ 3,002,010</u>			

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 77% and 13%, respectively, of the Town’s total investments at June 30, 2019. 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, 2019 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	\$ 865,838	\$ -	\$ 865,838
Personal property taxes	49,273	(15,000)	34,273
Tax liens	543,763	-	543,763
Motor vehicle and other excise taxes	322,158	(67,000)	255,158
Ambulance user charges	1,417,300	(1,189,000)	228,300
Title V program	250,651	-	250,651
Intergovernmental	<u>477,824</u>	<u>-</u>	<u>477,824</u>
	<u>\$ 3,926,807</u>	<u>\$ (1,271,000)</u>	<u>\$ 2,655,807</u>

There were no allowances for uncollectible accounts reported in the water enterprise fund at June 30, 2019.

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>
Real estate and personal property taxes	\$ 643,987	\$ 5,551	\$ -	\$ 649,538
Tax liens	543,763	-	-	543,763
Motor vehicle and other excise taxes	255,158	-	-	255,158
Ambulance user charges	-	-	228,300	228,300
Title V program	-	-	250,651	250,651
Intergovernmental	<u>7,723</u>	<u>-</u>	<u>-</u>	<u>7,723</u>
	<u>\$ 1,450,631</u>	<u>\$ 5,551</u>	<u>\$ 478,951</u>	<u>\$ 1,935,133</u>

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 \$322,475 and interest costs of \$86,741 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**

Interfund transfers for the fiscal year ended June 30, 2019 were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Total</u>
Capital Projects Fund	\$ 61,198	\$ 16,148	\$ 77,346 (1)
Nonmajor Governmental Funds	<u>476,939</u>	<u>-</u>	<u>476,939</u> (2)
	<u>\$ 538,137</u>	<u>\$ 16,148</u>	<u>\$ 554,285</u>

(1) Return of unspent balances of completed capital projects.

(2) Budgeted transfers of \$449,548 to supplement budget and \$27,391 in special revenue fund close outs.

**D. Capital Assets**

Capital asset activity in the Town’s governmental activities for the fiscal year ended June 30, 2019 was as follows:

	<u>Beginning Balance (a)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 4,631,656	\$ -	\$ -	\$ 4,631,656
Construction in-progress	<u>26,735</u>	<u>-</u>	<u>(26,735)</u>	<u>-</u>
Total capital assets not being depreciated	<u>4,658,391</u>	<u>-</u>	<u>(26,735)</u>	<u>4,631,656</u>
Capital assets being depreciated:				
Buildings and improvements	38,174,240	191,664	-	38,365,904
Infrastructure	14,782,641	75,011	-	14,857,652
Machinery and equipment	6,590,399	714,109	(152,829)	7,151,679
Vehicles	<u>1,309,000</u>	<u>229,020</u>	<u>(32,318)</u>	<u>1,505,702</u>
Total capital assets being depreciated	<u>60,856,280</u>	<u>1,209,804</u>	<u>(185,147)</u>	<u>61,880,937</u>
Less accumulated depreciation for:				
Buildings and improvements	(16,481,284)	(1,024,054)	-	(17,505,338)
Infrastructure	(8,650,877)	(402,301)	-	(9,053,178)
Machinery and equipment	(3,923,391)	(457,254)	152,829	(4,227,816)
Vehicles	<u>(985,661)</u>	<u>(113,361)</u>	<u>32,318</u>	<u>(1,066,704)</u>
Total accumulated depreciation	<u>(30,041,213)</u>	<u>(1,996,970)</u>	<u>185,147</u>	<u>(31,853,036)</u>
Total capital assets being depreciated, net	<u>30,815,067</u>	<u>(787,166)</u>	<u>-</u>	<u>30,027,901</u>
Total governmental activities capital assets, net	<u>\$ 35,473,458</u>	<u>\$ (787,166)</u>	<u>\$ (26,735)</u>	<u>\$ 34,659,557</u>

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

Depreciation expense in the governmental activities was charged to functions/programs as follows:

General government	\$ 157,978
Public safety	467,747
Education	586,101
Public works	629,698
Health and human services	10,552
Culture and recreation	<u>144,894</u>
	<u>\$ 1,996,970</u>

Capital asset activity in the Town's water enterprise for the fiscal year ended June 30, 2019 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>611,903</u>	<u>77,000</u>	<u>(611,903)</u>	<u>77,000</u>
Total capital assets not being depreciated	<u>1,257,004</u>	<u>77,000</u>	<u>(611,903)</u>	<u>722,101</u>
Capital assets being depreciated:				
Buildings and improvements	148,502	-	-	148,502
Infrastructure	14,903,537	1,555,010	-	16,458,547
Machinery and equipment	116,830	46,512	-	163,342
Vehicles	<u>621,528</u>	<u>54,153</u>	<u>-</u>	<u>675,681</u>
Total capital assets being depreciated	<u>15,790,397</u>	<u>1,655,675</u>	<u>-</u>	<u>17,446,072</u>
Less accumulated depreciation for:				
Buildings and improvements	(115,177)	(2,450)	-	(117,627)
Infrastructure	(6,449,122)	(451,334)	-	(6,900,456)
Machinery and equipment	(64,257)	(14,009)	-	(78,266)
Vehicles	<u>(321,738)</u>	<u>(50,003)</u>	<u>-</u>	<u>(371,741)</u>
Total accumulated depreciation	<u>(6,950,294)</u>	<u>(517,796)</u>	<u>-</u>	<u>(7,468,090)</u>
Total capital assets being depreciated, net	<u>8,840,103</u>	<u>1,137,879</u>	<u>-</u>	<u>9,977,982</u>
Total business-type activities capital assets, net	<u>\$ 10,097,107</u>	<u>\$ 1,214,879</u>	<u>\$ (611,903)</u>	<u>\$ 10,700,083</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 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.

The Town did not complete any short-term debt transactions during fiscal year 2019.

## F. Long-Term Obligations

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 table reflects the current year activity in the Town's long-term liability accounts:

Description of Issue	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds (a)	\$ 4,753,000	\$ -	\$ (1,148,000)	\$ 3,605,000	\$ 905,000
Unamortized bond premium	172,618	-	(36,567)	136,051	29,934
Notes from direct borrowings and placements (a)	136,830	-	(19,972)	116,858	19,972
Capital lease obligations	71,646	266,625	(137,646)	200,625	47,179
Compensated absences	176,761	57,889	-	234,650	46,930
Net other postemployment benefits liability	41,807,562	11,732,535	(6,996,770)	46,543,327	-
Net pension liability	14,612,973	7,947,553	(5,323,639)	17,236,887	-
<b>Total Governmental Activities</b>	<b>\$ 61,731,390</b>	<b>\$ 20,004,602</b>	<b>\$ (13,662,594)</b>	<b>\$ 68,073,398</b>	<b>\$ 1,049,015</b>
<i>Business-Type Activities - Water:</i>					
General obligation bonds (a)	\$ 1,860,000	\$ -	\$ (130,000)	\$ 1,730,000	\$ 130,000
Notes from direct borrowings and placements (a)	1,294,696	-	(198,155)	1,096,541	203,155
Compensated absences	15,342	-	(3,329)	12,013	2,403
Net other postemployment benefits liability	944,828	265,148	(158,123)	1,051,853	-
Net pension liability	719,073	391,082	(261,965)	848,190	-
<b>Total Business-Type Activities - Water</b>	<b>\$ 4,833,939</b>	<b>\$ 656,230</b>	<b>\$ (751,572)</b>	<b>\$ 4,738,597</b>	<b>\$ 335,558</b>

(a) Reclassifications were made to the beginning balances for the adoption of GASB Statement No. 88.

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, 2019:

Description of Issue	Interest Rates	Beginning Balance	Additions	Maturities and Deductions	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	2.00% - 5.25%	\$ 4,753,000	\$ -	\$ (1,148,000)	\$ 3,605,000
MCWT notes payable	2.00%	136,830	-	(19,972)	116,858
Total Governmental Activities		4,889,830	-	(1,167,972)	3,721,858
Add: Unamortized bond premiums		172,618	-	(36,567)	136,051
Total Governmental Activities, net		<u>\$ 5,062,448</u>	<u>\$ -</u>	<u>\$ (1,204,539)</u>	<u>\$ 3,857,909</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	2.00% - 4.00%	\$ 1,860,000	\$ -	\$ (130,000)	\$ 1,730,000
MCWT notes payable	2.00%	1,294,696	-	(198,155)	1,096,541
Total Business-Type Activities - Water		<u>\$ 3,154,696</u>	<u>\$ -</u>	<u>\$ (328,155)</u>	<u>\$ 2,826,541</u>

Debt service requirements on long-term debt at June 30, 2019 are as follows:

Year Ended June 30,	Governmental Activities			
	General Obligation Bonds		Notes from Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2020	\$ 905,000	\$ 195,115	\$ 19,972	\$ 1,768
2021	545,000	97,943	19,972	1,270
2022	455,000	75,620	20,203	765
2023	455,000	55,548	20,203	255
2024	260,000	40,500	10,000	-
2025-2029	670,000	91,739	26,508	-
2030-2034	175,000	33,666	-	-
2034-2038	140,000	8,400	-	-
	<u>\$ 3,605,000</u>	<u>\$ 598,531</u>	<u>\$ 116,858</u>	<u>\$ 4,058</u>

Year Ended June 30,	Business-Type Activities: Water			
	General Obligation Bonds		Notes from Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2020	\$ 130,000	\$ 57,700	\$ 203,155	\$ 41,438
2021	130,000	54,275	208,154	31,631
2022	130,000	50,100	218,154	21,634
2023	130,000	45,925	223,154	10,604
2024	130,000	41,750	228,154	-
2025-2029	650,000	143,375	15,770	-
2030-2034	430,000	41,575	-	-
	<u>\$ 1,730,000</u>	<u>\$ 434,700</u>	<u>\$ 1,096,541</u>	<u>\$ 105,307</u>

*Authorized and Unissued Debt* – At June 30, 2019, the Town did not have any authorized but unissued debt.

#### G. Tax Abatements

The Town may enter into property tax abatements with local business as an incentive for economic growth. The agreements are commonly referred to as tax increment financing, or TIF, agreements. Under Massachusetts General Laws, property owners may be granted property tax abatements of up to 100% of the value of a tax increment for a maximum term of twenty years provided the property is located in a TIF zone. TIF zones are approved by the Massachusetts Economic Assistance Coordinating Council. The Town’s Board of Selectmen must approve all TIF agreements.

At June 30, 2019, the Town had a single ten-year TIF agreement in place with a manufacturer that was initiated in fiscal year 2018. Under the terms of the TIF agreement, the manufacturer was provided a 100% property tax abatement on the value of the improved real property, which phases down 10% each year. The property owner committed to additional hiring (with a preference to qualified Town residents, retention of its current employment base, an investment of approximately \$2 million to the property and the timely payment of all taxes owed to the Town. In fiscal year 2019, the Town abated \$19,353 related to this TIF agreement.

## H. Capital Lease Obligations

The Town is party to a non-cancellable lease for the purchase of certain fire safety apparatus. For financial reporting purposes, this lease is accounted for as a capital lease. Future minimum lease payments on this lease as of June 30, 2019 were as follows:

<u>Fiscal Year Ended June 30,</u>	
2020	\$ 55,393
2021	55,393
2022	55,393
2023	<u>55,393</u>
Total minimum lease payments	221,572
Less amount representing interest	<u>(20,947)</u>
Total capital lease obligation	<u>\$ 200,625</u>

The fire apparatus purchased through the capital lease has an acquisition cost of \$266,625 and accumulated depreciation of \$13,331 through June 30, 2019. The net carrying value of the fire apparatus was \$279,956.

## 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, 2018 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, 2018 was as follows:

Active members	5,351
Inactive members entitled to, but not receiving benefits	3,301
Inactive members (or beneficiaries) currently receiving benefits	<u>3,411</u>
	<u>12,063</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 2019.

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 \$1,943,608 to the Retirement System in fiscal year 2019, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 22% in fiscal year 2019.

Net Pension Liability – At June 30, 2019, the Town reported a liability of \$18,085,077 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 and updated to December 31, 2018.

There were no material changes to the Retirement System’s benefit terms since the actuarial valuation. There were no material changes in assumption made in this update to from the full actuarial valuation.

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 2.778% at December 31, 2018, which was slightly higher than its proportionate share at December 31, 2017.

*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, 2018, 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 \$2,321,273 in pension expense in the statement of activities in fiscal year 2019.

*Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2019, 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	\$ 983,906	\$ -
Changes of assumptions	534,779	293,519
Net difference between projected and actual earnings	2,195,137	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	24,209	163,004
	<u>\$ 3,738,031</u>	<u>\$ 456,523</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>	
2020	\$ 1,127,145
2021	940,219
2022	533,231
2023	<u>680,913</u>
	<u>\$ 3,281,508</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 January 1, 2018. 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-2014

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, 2018 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%	8.1%
International equity	17.5%	8.2%
Fixed income	19.0%	3.2%
Real estate	9.0%	7.3%
Private equity	8.5%	10.4%
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	\$ 22,680,277	\$ 18,085,077	\$ 14,178,479

**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 under GAAP.

For the year ended June 30, 2019, the Commonwealth contributed \$1,417,398 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, 2019 was \$25,561,885. The pension expense assumed by the Commonwealth on behalf of the Town for fiscal year 2019 was \$2,590,327. The Town recognized \$2,590,327 in intergovernmental revenue and pension expense relative to this arrangement.

MTRS issues certain financial information to the public on its website – [www.mass.gov/mtrs](http://www.mass.gov/mtrs). A more detailed discussion of its funding policies, actuarial assumptions and other inputs used to measure total pension liability may be found there.

**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, 2019:

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 is paid 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, 2019 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, 2019 were as follows:

Total OPEB liability	\$ 47,835,218
Plan fiduciary net position	<u>(240,038)</u>
Net OPEB liability	<u>\$ 47,595,180</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.5%

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
Measurement date	June 30, 2019
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
Investment rate of return	7.00% per annum
Discount rate	3.50% 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	6.16%
International equity - developed markets	6.69%
International equity - emerging markets	9.47%
Core fixed income	1.89%
High-yield fixed income	4.00%
Real estate	4.58%
Commodities	4.77%
Hedge fund, GTAA, risk parity	3.68%
Private equity	13.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 3.5%, 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, 2019 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, 2019:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018	\$ 42,857,279	\$ 104,889	\$ 42,752,390
Changes for the year:			-
Service cost	1,753,133	-	1,753,133
Interest	1,704,977	-	1,704,977
Changes in benefit terms	-	-	-
Changes in assumptions	2,628,137	-	2,628,137
Experience differences	-	-	-
Employer contributions	-	1,228,308	(1,228,308)
Net investment income	-	15,149	(15,149)
Benefit payments	(1,108,308)	(1,108,308)	-
Net changes	4,977,939	135,149	4,842,790
Balances at June 30, 2019	\$ 47,835,218	\$ 240,038	\$ 47,595,180

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	\$ 55,935,497	\$ 47,595,180	\$ 40,962,853

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	\$ 39,876,624	\$ 47,595,180	\$ 57,585,081

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the Town recognized OPEB expense of \$3,875,011. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2019 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,616,481	\$ -
Changes of assumptions	2,190,115	2,652,861
Net difference between projected and actual earnings on pension plan investments	-	2,167
	<u>\$ 4,806,596</u>	<u>\$ 2,655,028</u>

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

<u>Year ended June 30,</u>	
2020	\$ 428,445
2021	428,445
2022	428,445
2023	428,210
2024	438,023
	<u>\$ 2,151,568</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, 2019, the annual money-weighted rate of return on investments, net of investment expense, was approximately 7.1%. 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, 2019.

#### **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, 2019, 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, 2019.

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, 2019, there were no material 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 November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement was 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 became effective in fiscal year 2019 and did not have a material impact on the Town's 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 was to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarified which liabilities governments should include when disclosing information related to debt. The provisions of this Statement became effective in fiscal year 2019 and did not have a material impact on the Town's financial statements.

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

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 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.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

**V. Economic Dependence**

During the year ended June 30, 2019, approximately 18% of revenues of the general fund were recognized from the Commonwealth of Massachusetts and the federal government.

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**TOWN OF WRENTHAM, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION  
TOWN PENSION PLAN**

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

*(dollar amounts are in thousands)*

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	2.778%	2.773%	2.830%	2.830%	2.810%
Town's proportionate share of the net pension liability	\$ 18,085	\$ 15,332	\$ 14,778	\$ 15,379	\$ 14,594
Town's covered payroll	\$ 8,909	\$ 8,608	\$ 8,213	\$ 7,741	\$ 6,914
Town's proportionate share of the net pension liability as a percentage of its covered payroll	203.0%	178.1%	179.9%	198.7%	211.1%
Plan fiduciary net position as a percentage of the total net pension liability	58.3%	63.5%	61.6%	58.6%	60.1%

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN**

*(dollar amounts are in thousands)*

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,944	\$ 1,778	\$ 1,569	\$ 1,423	\$ 1,362
Contributions in relation to the actuarially determined contribution	1,944	1,778	1,569	1,423	1,362
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 8,909	\$ 8,608	\$ 8,213	\$ 77,410	\$ 6,914
Contributions as a percentage of covered payroll	21.8%	20.7%	19.1%	1.8%	19.7%

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

See accompanying independent auditors' report.

**TOWN OF WRENTHAM, MASSACHUSETTS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**MASSACHUSETTS TEACHERS RETIREMENT SYSTEM PENSION PLAN**

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

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Commonwealth's proportion of the collective net pension liability	100.0%	100.0%	100.0%	100.0%	100.0%
Town's proportionate share of the collective net pension liability	0.0%	0.0%	0.0%	0.0%	0.0%
Commonwealth's proportionate share of the collective net pension liability	\$ 23,711,289	\$ 22,885,391	\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
Commonwealth's actuarially determined contribution	\$ 1,314,783	\$ 1,235,515	\$ 1,124,583	\$ 1,021,930	\$ 937,379

Contributions to the MTRS are the responsibility of the Commonwealth of Massachusetts. Accordingly, the Town has not recognized any portion of the net pension liability relative to Town employees covered under the MTRS pension plan.

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

See accompanying independent auditors' report.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

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

	Year Ended June 30,		
	2019	2018	2017
Total OPEB Liability:			
Service cost	\$ 1,753,133	\$ 1,630,896	\$ 1,788,335
Interest	1,704,977	1,563,264	1,349,911
Changes in benefit terms	-	(1,721,186)	-
Differences between actual and expected experience	-	3,924,721	-
Changes in assumptions	2,628,137	(3,979,293)	(5,566,767)
Benefit payments	<u>(1,108,308)</u>	<u>(1,183,242)</u>	<u>(1,045,330)</u>
Net Change in Total OPEB Liability	<u>4,977,939</u>	<u>235,160</u>	<u>(3,473,851)</u>
Total OPEB Liability:			
Beginning of year	<u>42,857,279</u>	<u>42,622,119</u>	<u>46,095,970</u>
End of year (a)	<u>\$ 47,835,218</u>	<u>\$ 42,857,279</u>	<u>\$ 42,622,119</u>
Plan Fiduciary Net Position:			
Contributions	\$ 1,228,308	\$ 1,283,242	\$ 1,046,186
Net investment income	15,149	4,889	(856)
Benefit payments	<u>(1,108,308)</u>	<u>(1,183,242)</u>	<u>(1,045,330)</u>
Net Change in Plan Fiduciary Net Position	<u>135,149</u>	<u>104,889</u>	<u>-</u>
Plan Fiduciary Net Position:			
Beginning of year	<u>104,889</u>	<u>-</u>	<u>-</u>
End of year (b)	<u>\$ 240,038</u>	<u>\$ 104,889</u>	<u>\$ -</u>
Net OPEB Liability — End of Year (a) - (b)	<u>\$ 47,595,180</u>	<u>\$ 42,752,390</u>	<u>\$ 42,622,119</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.50%	0.24%	0.00%
Covered payroll	N/A	N/A	\$ 14,023,295
Net OPEB Liability as a Percentage of Covered Payroll	N/A	N/A	303.94%

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

See accompanying independent auditors' report.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

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**SCHEDULE OF CONTRIBUTIONS**

	Year Ended June 30,		
	2019	2018	2017
Actuarially determined contribution	\$ 1,381,475	\$ 2,310,873	\$ 2,770,731
Contributions in relation to the actuarially determined contribution	<u>(1,228,308)</u>	<u>(1,183,242)</u>	<u>(1,145,330)</u>
Contribution deficiency (excess)	<u>\$ 153,167</u>	<u>\$ 1,127,631</u>	<u>\$ 1,625,401</u>
Covered payroll	N/A	N/A	\$ 17,023,295
Contribution as a percentage of covered payroll	N/A	N/A	6.73%

Notes to Schedule:

Valuation date	December 31, 2017
Asset valuation method	Market value of the assets as of the reporting date
Actuarial cost method	Individual entry age normal
Salary increases	3.0% per annum
Investment rate of return	7.0% per annum
Single equivalent discount rate	3.5% per annum
Healthcare cost trend rates	1.5% for year 1 (1.8% for non-Medicare) then 7.0% decreasing by 0.5% for 5 years to an ultimate level of 4.5% per annum

**SCHEDULE OF INVESTMENT RETURNS**

	Year Ended June 30,		
	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	7.06%	5.80%	-0.80%

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

See accompanying independent auditors' report.

**TOWN OF WRENTHAM, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Positive (Negative) Variance
	Original Budget	Final Budget				
<b>Revenues :</b>						
Property taxes, net of tax refunds	\$ 33,101,461	\$ 33,101,461	\$ 32,641,531		\$ 32,641,531	\$ (459,930)
Intergovernmental	5,213,421	5,213,421	5,497,908		5,497,908	284,487
Motor vehicle and other excise taxes	1,913,600	1,913,600	2,325,176		2,325,176	411,576
Licenses and permits	540,000	540,000	1,014,371		1,014,371	474,371
Penalties and interest on taxes	160,000	160,000	99,337		99,337	(60,663)
Fines and forfeitures	50,000	50,000	38,651		38,651	(11,349)
Departmental and other revenues	286,050	286,050	459,878		459,878	173,828
Investment income	50,000	50,000	179,741		179,741	129,741
<b>Total Revenues</b>	<b>41,314,532</b>	<b>41,314,532</b>	<b>42,256,593</b>		<b>42,256,593</b>	<b>942,061</b>
<b>Expenditures:</b>						
General government	2,146,048	2,040,985	1,853,233	\$ 60,942	1,914,175	126,810
Public safety	5,999,778	6,097,949	5,966,155	96,924	6,063,079	34,870
Education	23,310,211	23,313,861	23,206,730	103,970	23,310,700	3,161
Public works	2,630,757	2,889,856	2,711,999	27,275	2,739,274	150,582
Health and human services	465,671	474,332	427,834	-	427,834	46,498
Culture and recreation	504,538	509,239	487,059	-	487,059	22,180
Pension and fringe benefits	7,052,068	7,052,068	6,639,001	1,674	6,640,675	411,393
State and county charges	708,171	708,171	765,727	-	765,727	(57,556)
Debt service	1,350,587	1,350,587	1,345,508	-	1,345,508	5,079
<b>Total Expenditures</b>	<b>44,167,829</b>	<b>44,437,048</b>	<b>43,403,246</b>	<b>\$ 290,785</b>	<b>43,694,031</b>	<b>743,017</b>
<b>Other Financing Sources (Uses):</b>						
Transfers in	929,399	958,899	1,046,816		1,046,816	87,917
Transfers out	(50,000)	(50,000)	(202,842)		(202,842)	(152,842)
<b>Total Other Financing Sources (Uses)</b>	<b>879,399</b>	<b>908,899</b>	<b>843,974</b>		<b>843,974</b>	<b>(64,925)</b>
<b>(Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures/Use of Prior Year Budgetary Fund Balance</b>						
	<b>(1,973,898)</b>	<b>(2,213,617)</b>	<b>\$ (302,679)</b>		<b>\$ (593,464)</b>	<b>\$ 1,620,153</b>
<b>Other Budgetary Items:</b>						
Prior year encumbrances	214,880	214,880				
Free cash	1,737,605	1,977,324				
Other items	21,413	21,413				
<b>Total Other Budgetary Items</b>	<b>1,973,898</b>	<b>2,213,617</b>				
<b>Net Budget</b>	<b>\$ -</b>	<b>\$ -</b>				

See notes to required supplementary information.

See accompanying independent auditors' report.



# TOWN OF WRENTHAM, MASSACHUSETTS

## REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2019

### 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's general fund is prepared on a basis other than GAAP. The "actual" results column of the Schedule of Revenues, Expenditures and Changes in Fund Equity – Budgetary Basis is presented on a budgetary basis to provide a meaningful comparison with the budget.

A complete reconciliation is provided below:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues — budgetary basis			\$ 42,256,593
Revenue recognition	\$ 114,469	\$ -	114,469
Investment income allocations	-	(50,640)	(50,640)
Stabilization revenue	-	54,429	54,429
MTRS on-behalf pension payments	<u>2,590,327</u>	<u>-</u>	<u>2,590,327</u>
Revenues — GAAP basis	<u>\$ 2,704,796</u>	<u>\$ 3,789</u>	<u>\$ 44,965,178</u>
Expenditures — budgetary basis			\$ 43,403,246
Assets purchased with capital lease	\$ 266,625	\$ -	266,625
OPEB funding contributions	-	50,000	50,000
Transfer treatment - indirect costs	-	(452,271)	(452,271)
MTRS on-behalf pension payments	<u>2,590,327</u>	<u>-</u>	<u>2,590,327</u>
Expenditures — GAAP basis	<u>\$ 2,856,952</u>	<u>\$ (402,271)</u>	<u>\$ 45,857,927</u>
Net Transfers and Other Financing Sources — budgetary basis			\$ 843,974
Stabilization fund transfers	\$ -	\$ (56,408)	(56,408)
Transfer treatment - indirect costs	-	(452,271)	(452,271)
Proceeds from capital lease	266,625	-	266,625
Debt premium fund transfers	-	152,842	152,842
OPEB funding contributions	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Net Transfers and Other Financing Sources — GAAP basis	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 804,762</u>



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**INDEPENDENT AUDITORS' 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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 3, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the our letter to management dated December 3, 2019, that we consider to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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 required certain matters to be reported *under Government Auditing Standards* and which are described in our letter to management dated December 3, 2019. The Town's response to the findings was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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  
Certified Public Accountants  
Woburn, Massachusetts  
December 3, 2019