

**TOWN OF  
FRAMINGHAM, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2009**

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Framingham, 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 Framingham, Massachusetts, as of and for the year ended June 30, 2009, (except for the Framingham Contributory Retirement System which is as of and for the year ended December 31, 2008) which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Framingham's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Framingham, as of June 30, 2009, (except the Framingham Contributory Retirement System which is as of December 31, 2008), and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Additional Offices:*

Greenfield, MA Ellsworth, ME Nashua, NH Manchester, NH

The management's discussion and analysis, appearing on the following pages, and the supplementary information appearing on page 58, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 6, 2010 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
April 6, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Framingham, we offer readers this narrative overview and analysis of the financial activities of the Town of Framingham for the fiscal year ended June 30, 2009. All amounts in the Management's Discussion and Analysis unless otherwise indicated, are expressed in thousands of dollars.

### **A. FINANCIAL HIGHLIGHTS**

- The assets of the Town of Framingham exceeded its liabilities at the close of the most recent fiscal year by \$ 206,649 (net assets). Of this amount, \$ 33,024 constitutes unrestricted net assets some of which are available for use as of June 30, 2009.
- The government's total net assets changed by \$ (16,781) in the fiscal year.
- As of the close of the current fiscal year, the Town of Framingham's governmental funds reported combined ending fund balances of \$ 13,808, a change of \$ (55) in comparison with the prior year.
- At the end of the current fiscal year, unreserved/undesignated fund balance for the general fund was \$ 1,859 or 0.9% of total general fund expenditures. Management has established an additional \$ 59 as a general fund designated fund balance.
- The Town of Framingham's total debt (bonds and bond anticipation notes) was \$ 103,470, a change of \$ 18,273 during the current year.

### **B. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to 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 of Framingham's finances in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 of the Town of Framingham distinguish functions that are principally supported by taxes and intergovernmental revenues (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 of Framingham include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities of the Town of Framingham include Water and Sewer activities.

**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 of Framingham, 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 of Framingham can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Framingham maintains in excess of 100 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 ARRA fund, which are

considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation.

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

**Proprietary funds.** The Town of Framingham maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Framingham uses enterprise funds to account for its Water and Sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town of Framingham's various functions. The Town of Framingham uses internal service funds are used to account for self-insured employee health programs. Because this service predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer operations. Water and Sewer are considered to be major funds of the Town of Framingham.

**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 statements because the resources of those funds are not available to support Town of Framingham's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to 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 of Framingham's progress in funding its obligation to provide pension benefits to its employees.

## **C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years (in thousands).

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 77,082	\$ 81,517	\$ 32,591	\$ 30,130	\$ 109,673	\$ 111,647
Capital assets	<u>181,244</u>	<u>178,811</u>	<u>79,432</u>	<u>62,114</u>	<u>260,676</u>	<u>240,925</u>
Total assets	<u>258,326</u>	<u>260,328</u>	<u>112,023</u>	<u>92,244</u>	<u>370,349</u>	<u>352,572</u>
Long-term liabilities outstanding	80,964	65,524	28,911	27,319	109,875	92,843
Other liabilities	<u>31,191</u>	<u>31,093</u>	<u>22,634</u>	<u>5,206</u>	<u>53,825</u>	<u>36,299</u>
Total liabilities	<u>112,155</u>	<u>96,617</u>	<u>51,545</u>	<u>32,525</u>	<u>163,700</u>	<u>129,142</u>
Net assets:						
Invested in capital assets, net of related debt	124,867	123,136	39,953	40,341	164,820	163,477
Restricted	8,805	8,216	-	-	8,805	8,216
Unrestricted	<u>12,499</u>	<u>32,359</u>	<u>20,525</u>	<u>19,378</u>	<u>33,024</u>	<u>51,737</u>
Total net assets	<u>\$ 146,171</u>	<u>\$ 163,711</u>	<u>\$ 60,478</u>	<u>\$ 59,719</u>	<u>\$ 206,649</u>	<u>\$ 223,430</u>

#### **CHANGES IN NET ASSETS**

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 12,558	\$ 12,976	\$ 29,073	\$ 25,947	\$ 41,631	\$ 38,923
Operating grants and contributions	65,172	57,996	10	-	65,182	57,996
Capital grants and contributions	1,970	2,388	277	369	2,247	2,757
General revenues:						
Property Taxes	144,149	140,201	-	-	144,149	140,201
Excises	6,108	6,971	-	-	6,108	6,971
Penalties, interest and other taxes	3,698	2,690	-	-	3,698	2,690
Grants and contributions not restricted to specific programs	10,299	13,092	-	-	10,299	13,092
Investment income	409	1,184	61	638	470	1,822
Miscellaneous	<u>914</u>	<u>1,749</u>	<u>-</u>	<u>-</u>	<u>914</u>	<u>1,749</u>
<b>Total revenues</b>	<u>245,277</u>	<u>239,247</u>	<u>29,421</u>	<u>26,954</u>	<u>274,698</u>	<u>266,201</u>

(continued)

(continued)

**CHANGES IN NET ASSETS**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Totals</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Expenses:</b>						
General government	10,884	12,308	-	-	10,884	12,308
Public safety	30,524	28,979	-	-	30,524	28,979
Education	141,636	135,806	-	-	141,636	135,806
Public works	15,037	16,412	-	-	15,037	16,412
Human services	1,455	1,395	-	-	1,455	1,395
Culture and recreation	6,842	7,177	-	-	6,842	7,177
Employee benefits	52,968	48,924	-	-	52,968	48,924
Interest	2,445	2,401	-	-	2,445	2,401
Intergovernmental	3,351	3,549	-	-	3,351	3,549
Water	-	-	12,256	12,003	12,256	12,003
Sewer	-	-	14,081	13,283	14,081	13,283
<b>Total expenses</b>	<u>265,142</u>	<u>256,951</u>	<u>26,337</u>	<u>25,286</u>	<u>291,479</u>	<u>282,237</u>
Increase in net assets before transfers	(19,865)	(17,704)	3,084	1,668	(16,781)	(16,036)
Transfers	<u>2,325</u>	<u>2,138</u>	<u>(2,325)</u>	<u>(2,138)</u>	-	-
Change in net assets	<u>(17,540)</u>	<u>(15,566)</u>	<u>759</u>	<u>(470)</u>	(16,781)	(16,036)
Net assets - beginning of year	<u>163,711</u>	<u>179,277</u>	<u>59,719</u>	<u>60,189</u>	<u>223,430</u>	<u>239,466</u>
Net assets - end of year	<u>\$ 146,171</u>	<u>\$ 163,711</u>	<u>\$ 60,478</u>	<u>\$ 59,719</u>	<u>\$ 206,649</u>	<u>\$ 223,430</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Framingham, assets exceeded liabilities by \$ 206,649 at the close of the most recent fiscal year.

The largest portion of the Town of Framingham's net assets (79.8%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town of Framingham uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Framingham'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 of Framingham's net assets (4.2%) represents resources that are subject to external restrictions on how they may be used (e.g., grants and trust funds). The remaining balance of unrestricted net assets is \$ 33,024, which includes amounts that are available for use as of June 30, 2009, and other amounts, though measurable, that will not be available until

subsequent periods (e.g., unrestricted fund balances subject to appropriation, taxes and charges billed but not yet collected.)

At the end of the current fiscal year, the Town of Framingham is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Governmental activities.** Governmental activities for the year resulted in a change in net assets of \$ (17,540). Key elements of this change are as follows:

Excess of revenues over expenditures:	
General fund	\$ (3,443)
Special revenue funds	1,071
General fund transfers from enterprise funds	<u>2,325</u>
Subtotal	(47)
Depreciation in excess of debt service principal paydown	(3,181)
OPEB liability	(13,450)
Other	<u>(862)</u>
Total	<u><u>\$ (17,540)</u></u>

**Business-type activities.** Business-type activities for the year resulted in a change in net assets of \$ 759. Key elements of this change are as follows (in thousands):

Water operations	\$ 1,129
Sewer operations	<u>(370)</u>
Total	<u><u>\$ 759</u></u>

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

**Governmental funds.** The focus of the Town of Framingham'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 of Framingham's financing requirements. In particular, unreserved 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 end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$ 13,808, a change of \$ (55) in comparison with the prior year.

A portion of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the prior period \$ 4,839 and (2) to be used as a funding source for the subsequent budget \$ 1,699.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved undesignated fund balance of the general fund was \$ 1,859 while total fund balance was \$ 4,951. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 0.9% of total general fund expenditures, while total fund balance represents 2.3% of that same amount. Management has established \$ 59 of the general fund balance to pay the debt service on the current notes payable. The following table highlights the change in our General fund balance accounts (in thousands):

Use of other funding sources	\$ (2,329)
Raising of prior year deficit and deferral	1,967
Revenues less than budget	(2,492)
Expenditures less than budget	2,519
Other	<u>(462)</u>
Total Change in Fund Balance	<u>\$ (797)</u>

**Proprietary funds.** The Town of Framingham's proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ 20,525. The total change in net assets was \$ 759. Other factors concerning the finances of these three funds have already been addressed in the discussion of the Town of Framingham's business-type activities.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

## **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$ (822), due to a change in General Government of \$ 140, Public Safety of \$ 488, Education of \$ (1,302), Public Works of \$ 1,425, Human Services of \$ (16), Culture and Recreation of \$ (153), Employee Benefits of \$ (590), and Debt Service of \$ (814). These budgetary reductions coincided with reductions in the property tax levy and excise tax collections.

The budget and actual statement reflects an under collection of Intergovernmental revenue primarily resulting from State Aid (Chapter 70) reductions implemented by the Commonwealth in fiscal year 2009. The Chapter 70 reductions were partially offset by an American Recovery and Reinvestment Act (ARRA) grant which is reported in a separate major fund in accordance with the transparency requirements of the Act. The general fund revenue shortfall is offset by budgetary turn backs in education expenditures. The turn backs result from the Town transferring cost to the ARRA major fund.

**F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The Town of Framingham’s investment in capital assets for its governmental and business-type activities as of June 30, 2009 amounts to \$ 260,676 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system, improvements, machinery and equipment, park facilities, roads, highways and bridges.

The following is a summary of the Town’s Capital Assets for the current and prior fiscal years (in thousands):

CAPITAL ASSETS  
(net of depreciation)  
June 30, 2009 and 2008

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 18,521	\$ 18,517	\$ 320	\$ 292	\$ 18,841	\$ 18,809
Buildings and improvements	123,174	124,383	3,412	2,844	126,586	127,227
Vehicles, machinery, and equipment	11,523	10,276	2,792	2,665	14,315	12,941
Infrastructure	25,855	24,674	47,406	43,529	73,261	68,203
Construction in progress	2,171	961	25,502	12,784	27,673	13,745
Total	<u>\$ 181,244</u>	<u>\$ 178,811</u>	<u>\$ 79,432</u>	<u>\$ 62,114</u>	<u>\$ 260,676</u>	<u>\$ 240,925</u>

Significant capital asset activity for fiscal year 2009 included:

- Completion of construction of the Framingham High School had been extended to the summer of 2007 due to financial constraints of the general contractor. To meet additional cost needs, in October 2004, the Town appropriated an additional \$ 5,237 for the renovation, addition and equipping of the Framingham High School. This appropriation is in addition to the initial appropriation of \$ 54,000. Total architectural design and construction costs are now estimated at \$ 59,237. This project is being financed through the issuance of debt that was excluded from the limits of Proposition 2 ½ by voter referendum. The project has been approved for 90% reimbursement from the Commonwealth of Massachusetts under the guidelines for school building projects in districts with approved Racial Balance plans. The Massachusetts

School Building Authority has instituted a “pay as you build” Progress Payment System which was designed to decrease a municipality’s need from having to issue debt to finance the Authority’s share of projects costs. The Town received the final close out notification from the Massachusetts School Building Authority in December 2009. Framingham has received \$ 53,724 in reimbursement which was used to pay-off bond anticipation notes.

- In October 2003, Town Meeting authorized \$ 1,800 in borrowing to purchase an existing building and convert it into a Senior Center. These funds combined with an additional \$ 1,800 in donations were used to purchase land and building in July 2004. The Senior Center was opened the summer of 2005. At the 2005 Annual Town Meeting, the Town authorized an additional \$ 372 for renovations on the second floor which were substantially completed by the summer of 2007. At the 2007 Annual Town Meeting, the Town authorized an additional \$ 468 to develop a 4336 square foot multi purpose function room and caterers kitchen. The project was completed in FY09.
- The Department of Public Works started construction on the three sewer projects appropriated in FY07 after completing design and funding applications in the prior year. Approximately 4,000 feet of sewer lines were installed in Water Street with \$ 5,545 of the \$ 7,295 being expended. Gregory Road, which is part of the Water Street Project, had been substantially completed. Of the \$ 3,500 appropriated for Fenwick Pump Station \$ 2,973 has been expended on reconstruction which started up again in March and will be completed in FY10. The Fenwick Pump Station and Water Street reconstruction received partial funding via a 2% Clean Water State Revolving Fund loan program from the Bureau of Resource Protection of \$ 2,643 and \$ 6,419 in December 2007.
- At the 2007 Annual Town Meeting, the Town authorized over \$ 7,000 in Water Capital Projects and \$ 22,000 in Sewer Capital Projects. Some of upcoming projects include continuation of the Water Main Replacement program for Cove Avenue and Fay Road for a combined appropriation of \$ 2,017. Contracts were awarded in the fall of 2007 and \$ 1,543 has been expended on construction which started in the spring of 2008. The Booster Station Replacement at William J. Heights for \$ 765 has been awarded in March to be completed in 2010. Sewer Main Replacement design at Water Street and Gregory Road, appropriated for \$ 1,592, was awarded in the fall of 2007 and \$ 1,295 has been expended thus far. Sewer Improvements at Concord and School Street, appropriated for \$ 5,557, has \$ 412 of expenditures. Design for Wastewater Pumping Stations projects, appropriated for \$ 8,009, started in the fall of 2007 and \$ 2,360 has been expended. East Framingham Sewer Improvement Project Phase 1, appropriated for \$ 2,708, was awarded in the fall of 2007 and \$ 1,191 has been expended. The Automated Meter Reading program for a combined \$ 2,565 started during the summer 2008 construction season and \$ 1,323 has been expended
- At the 2005 Annual Town Meeting, the Town appropriated \$ 412 to complete a Master Plan for the reconstruction of the Bowditch Athletic Complex. As a result of the study, at the 2008 Annual Town Meeting, the Town authorized

\$ 7,900 to renovate and reconstruct the Bowditch Athletic Complex. The project addresses the need for grandstands, parking, locker rooms, public bathrooms and baseball bleachers as well as a maintenance garage for the Parks Maintenance Operations. In December 2008, a \$ 2,292 contract was awarded to complete a maintenance garage near the Loring Arena. The facility will be completed during FY10.

- At the 2008 Annual Town Meeting, the Town authorized over \$ 21,000 in Water Capital Projects and \$ 9,000 in Sewer Capital Projects. The Water Main Replacement program for Grove Street Water Pump Station for \$ 2,870 has not started. \$ 1,489 has been expended on the Water Street Water Main Construction for \$ 8,522. A contract of \$ 2,574 was awarded in June for the Prospect Street area Water and Sewer Main Replacement appropriated for \$ 3,000 and \$ 2,783 respectfully. The Goodnow Water Storage Tank Rehabilitation appropriated for \$ 891 was awarded in March and will be completed by December. Design work totaling \$ 123 has been incurred on the \$ 1,100 The Farm Pond Interceptor Sewer Rehabilitation Project. \$ 541 has been expended on the \$ 1,753 Cove Area Sewer Main Rehabilitation.
- At the 2009 Annual Town Meeting, \$ 40,337 was appropriated to construct the Birch Road Water Treatment Center. The project proposes to re-activate the Birch Road Wells which are located in the northeast corner of Framingham. The project will provide the Town with an independent and dependable source of drinking water. Since 2004, the Town had previously appropriated \$ 5,530 and expended \$ 2,790 on studies and design on this project.
- To comply with the Administrative Consent Order issued by the Department of Environmental Protection and Settlement Agreement with the Massachusetts Water Resources Authority, \$ 40,407 was voted to reconfigure the sewer system in East Framingham.

Additional information on the Town of Framingham's capital assets can be found in the footnotes to the financial statements.

**Long-term debt.** At the end of the current fiscal year, the Town of Framingham had total bonded debt and anticipation notes outstanding of \$ 103,470, all of which was backed by the full faith and credit of the government.

The following is a summary of the Town's outstanding debt for the current and prior fiscal years (in thousands):

OUTSTANDING DEBT  
General Obligation Bonds and Anticipation Notes  
June 30, 2009 and 2008

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ 50,867	\$ 48,316	\$ 27,782	\$ 27,111	\$ 78,649	\$ 75,427
Bond anticipation notes	<u>6,921</u>	<u>8,348</u>	<u>17,900</u>	<u>1,422</u>	<u>24,821</u>	<u>9,770</u>
Total	<u>\$ 57,788</u>	<u>\$ 56,664</u>	<u>\$ 45,682</u>	<u>\$ 28,533</u>	<u>\$ 103,470</u>	<u>\$ 85,197</u>

**Change in credit rating.** The Town of Framingham maintains an “A1” rating from Moody’s for general obligation debt.

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 of Framingham is \$ 477,364, which is significantly in excess of the Town of Framingham’s outstanding general obligation debt. Additional information on the Town of Framingham’s long-term debt can be found in the footnotes to the financial statements.

**G. ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

- The unadjusted unemployment rate for the Town of Framingham is currently 7.2% (June), which is up from the 5.1% rate from December 2008. This compares to the States unemployment rate of 8.5% and the national rate of 9.5%.
- Inflationary trends in the region compare favorably to national indices.
- The above factors were considered in preparing the Town of Framingham’s budget for the 2010 fiscal year.
- During the current fiscal year, unreserved fund balance in the general fund decreased to \$ 1,858. In addition, the Town of Framingham has appropriated \$ 1,500 of “free cash’ to finance the FY10 general fund operating budget.
- The \$ 1,765 of “free cash’ certified by the Massachusetts Department of Revenue as of July 1, 2009 is available, subject to appropriation, to finance FY10 and FY 11 expenditures.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Framingham's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town Accountant  
Town of Framingham  
Memorial Building  
150 Concord Street  
Framingham, Massachusetts 01702

TOWN OF FRAMINGHAM, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 28,733,735	\$ 18,965,066	\$ 47,698,801
Investments	11,739,215	-	11,739,215
Receivables, net of allowance for uncollectibles:			
Property taxes	3,404,187	-	3,404,187
Motor vehicle excise	709,987	-	709,987
User fees	303,552	11,032,745	11,336,297
Departmental and other	47,177	-	47,177
Intergovernmental	6,278,954	793,078	7,072,032
Assessments	-	148,569	148,569
Other assets	145,633	22,910	168,543
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Tax title	2,076,437	-	2,076,437
Departmental and other	337,946	-	337,946
Intergovernmental	22,380,630	200,000	22,580,630
Assessments	-	1,337,124	1,337,124
Other assets	924,493	91,638	1,016,131
Land and construction in progress	20,691,453	25,821,909	46,513,362
Other capital assets, net of accumulated depreciation	<u>160,552,840</u>	<u>53,610,324</u>	<u>214,163,164</u>
<b>TOTAL ASSETS</b>	<b>258,326,239</b>	<b>112,023,363</b>	<b>370,349,602</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	3,565,584	4,317,939	7,883,523
Accounts payable	69,832	86,570	156,402
Accrued liabilities	16,133,198	329,486	16,462,684
Tax refunds payable	4,346,047	-	4,346,047
Notes payable	6,921,076	17,900,000	24,821,076
Other liabilities	155,528	-	155,528
Current portion of long-term liabilities:			
Bonds payable	6,945,969	2,357,197	9,303,166
Compensated absences	1,964,837	103,242	2,068,079
Other liabilities	-	16,208	16,208
Noncurrent:			
Bonds payable	43,921,217	25,425,149	69,346,366
OPEB liability	27,458,367	907,611	28,365,978
Compensated absences	673,791	36,528	710,319
Other liabilities	<u>-</u>	<u>64,831</u>	<u>64,831</u>
<b>TOTAL LIABILITIES</b>	<b>112,155,446</b>	<b>51,544,761</b>	<b>163,700,207</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	124,867,048	39,953,140	164,820,188
Restricted for:			
Grants and other statutory restrictions	6,609,630	-	6,609,630
Permanent funds:			
Nonexpendable	464,790	-	464,790
Expendable	1,731,090	-	1,731,090
Unrestricted	<u>12,498,235</u>	<u>20,525,462</u>	<u>33,023,697</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>146,170,793</u></b>	<b>\$ <u>60,478,602</u></b>	<b>\$ <u>206,649,395</u></b>

See notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 10,884,137	\$ 1,608,267	\$ 1,005,573	\$ 547,652	\$ (7,722,645)	\$ -	\$ (7,722,645)
Public safety	30,523,835	4,693,928	1,314,564	-	(24,515,343)	-	(24,515,343)
Education	141,635,337	4,838,174	51,500,889	-	(85,296,274)	-	(85,296,274)
Public works	15,036,456	473,417	599,818	1,422,715	(12,540,506)	-	(12,540,506)
Health and human services	1,455,324	98,123	386,076	-	(971,125)	-	(971,125)
Culture and recreation	6,842,380	846,304	323,950	-	(5,672,126)	-	(5,672,126)
Employee benefits	52,967,970	-	10,040,674	-	(42,927,296)	-	(42,927,296)
Interest	2,444,864	-	-	-	(2,444,864)	-	(2,444,864)
Intergovernmental	3,351,308	-	-	-	(3,351,308)	-	(3,351,308)
Total Governmental Activities	265,141,611	12,558,213	65,171,544	1,970,367	(185,441,487)	-	(185,441,487)
<b>Business-Type Activities:</b>							
Water services	12,256,519	14,578,533	-	-	-	2,322,014	2,322,014
Sewer services	14,080,841	14,494,476	10,028	277,248	-	700,911	700,911
Total Business-type Activities	26,337,360	29,073,009	10,028	277,248	-	3,022,925	3,022,925
Total Primary Government	\$ 291,478,971	\$ 41,631,222	\$ 65,181,572	\$ 2,247,615	(185,441,487)	3,022,925	(182,418,562)
<b>General Revenues and transfers:</b>							
Property taxes					144,148,887	-	144,148,887
Excises					6,108,034	-	6,108,034
Penalties, interest and other taxes					3,697,956	-	3,697,956
Grants and contributions not restricted to specific programs					10,299,103	-	10,299,103
Investment income					409,057	61,102	470,159
Miscellaneous					913,588	-	913,588
Transfers, net					2,324,726	(2,324,726)	-
Total general revenues and transfers					167,901,351	(2,263,624)	165,637,727
Change in Net Assets					(17,540,136)	759,301	(16,780,835)
<b>Net Assets:</b>							
Beginning of Year					163,710,929	59,719,301	223,430,230
End of Year					\$ 146,170,793	\$ 60,478,602	\$ 206,649,395

See notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2009

<b>ASSETS</b>	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Cash and short-term investments	\$ 11,184,754	\$ 11,051,571	\$ 22,236,325
Investments	7,249,850	4,489,365	11,739,215
Receivables:			
Property taxes	6,946,773	-	6,946,773
Motor vehicle excise	1,959,517	-	1,959,517
User fees	-	303,552	303,552
Departmental and other	11,535	373,588	385,123
Intergovernmental	248,906	3,368,089	3,616,995
Due from other funds	21,991	-	21,991
Other assets	24,135	-	24,135
<b>TOTAL ASSETS</b>	<b>\$ <u>27,647,461</u></b>	<b>\$ <u>19,586,165</u></b>	<b>\$ <u>47,233,626</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Warrants payable	\$ 1,902,973	\$ 1,599,854	\$ 3,502,827
Accounts payable	-	69,832	69,832
Accrued liabilities	8,694,968	894,544	9,589,512
Tax refunds payable	4,346,047	-	4,346,047
Due to other funds	-	21,991	21,991
Deferred revenues	7,596,765	1,221,608	8,818,373
Other liabilities	155,512	16	155,528
Notes payable	-	6,921,076	6,921,076
<b>TOTAL LIABILITIES</b>	<b>22,696,265</b>	<b>10,728,921</b>	<b>33,425,186</b>
Fund Balances:			
Reserved for:			
Encumbrances and continuing appropriations	1,533,383	3,305,719	4,839,102
Expenditures	1,500,000	198,958	1,698,958
Perpetual (nonexpendable) permanent funds	-	464,790	464,790
Unreserved:			
Designated	59,003	-	59,003
Undesignated, reported in:			
General fund	1,858,810	-	1,858,810
Special revenue funds	-	10,678,617	10,678,617
Capital projects funds	-	(7,521,930)	(7,521,930)
Permanent expendable	-	1,731,090	1,731,090
<b>TOTAL FUND BALANCES</b>	<b><u>4,951,196</u></b>	<b><u>8,857,244</u></b>	<b><u>13,808,440</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>27,647,461</u></b>	<b>\$ <u>19,586,165</u></b>	<b>\$ <u>47,233,626</u></b>

See notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET ASSETS OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2009

<b>Total governmental fund balances</b>	\$	13,808,440
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		181,244,293
• Noncurrent assets, including MSBA reimbursements for contracted assistance, are not receivable in the current period and, therefore, are not reported in the governmental funds.		25,042,589
• Deferred debt expense for refunding is net of amortization on the statement of net assets, whereas all debt expense is reported when paid in the governmental funds.		1,045,991
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.		6,102,694
• Internal service funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.		522,981
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.		(632,014)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable		(50,867,186)
OPEB liability		(27,458,367)
Compensated absences liability		<u>(2,638,628)</u>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u><u>146,170,793</u></u></b>

See notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>General</u>	ARRA <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 144,735,235	\$ -	\$ -	\$ 144,735,235
Excises	6,318,007	-	-	6,318,007
Penalties, interest and other taxes	3,697,956	-	-	3,697,956
Charges for services	2,170,168	-	7,556,264	9,726,432
Intergovernmental	51,130,089	1,802,082	17,984,282	70,916,453
Licenses and permits	2,238,110	-	52,971	2,291,081
Fines and forfeitures	525,825	-	13,983	539,808
Interest earnings (loss)	354,579	-	(225,513)	129,066
Contributions	-	-	560,821	560,821
Miscellaneous	573,561	-	340,027	913,588
Total Revenues	<u>211,743,530</u>	<u>1,802,082</u>	<u>26,282,835</u>	<u>239,828,447</u>
<b>Expenditures:</b>				
Current:				
General government	7,633,441	-	1,993,865	9,627,306
Public safety	24,239,723	-	3,130,225	27,369,948
Education	111,223,307	1,802,082	17,182,312	130,207,701
Public works	11,953,087	-	2,239,629	14,192,716
Human services	1,148,753	-	128,829	1,277,582
Culture and recreation	5,076,886	-	681,294	5,758,180
Employee benefits	42,161,990	-	-	42,161,990
Debt service	8,398,104	-	-	8,398,104
Intergovernmental	3,351,308	-	-	3,351,308
Capital outlay	-	-	7,454,477	7,454,477
Total Expenditures	<u>215,186,599</u>	<u>1,802,082</u>	<u>32,810,631</u>	<u>249,799,312</u>
Excess (Deficiency) of revenues over expenditures	(3,443,069)	-	(6,527,796)	(9,970,865)
<b>Other Financing Sources (Uses):</b>				
Issuance of debt	-	-	7,591,420	7,591,420
Transfers in	2,645,695	-	-	2,645,695
Transfers out	-	-	(320,969)	(320,969)
Total Other Financing Sources (Uses)	<u>2,645,695</u>	<u>-</u>	<u>7,270,451</u>	<u>9,916,146</u>
Change in fund balance	(797,374)	-	742,655	(54,719)
Fund Balance, at Beginning of Year, as reclassified	<u>5,748,570</u>	<u>-</u>	<u>8,114,589</u>	<u>13,863,159</u>
Fund Balance, at End of Year	<u>\$ 4,951,196</u>	<u>\$ -</u>	<u>\$ 8,857,244</u>	<u>\$ 13,808,440</u>

See notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ (54,719)</b>														
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases, net of disposals</td> <td style="text-align: right;">11,530,971</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(9,097,999)</td> </tr> </table> </li> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <span style="float: right;">(758,418)</span></li> <li>• Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance, do not provide current financial resources and therefore, are not reported as revenues in the governmental funds. <span style="float: right;">(4,113,945)</span></li> <li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(7,591,420)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">5,917,388</td> </tr> <tr> <td>Deferred debt amortization</td> <td style="text-align: right;">(33,798)</td> </tr> </table> </li> <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <span style="float: right;">35,853</span></li> <li>• Some expenses reported in the Statement of Activities, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds: <table border="0" style="margin-left: 40px;"> <tr> <td>Decrease in liability for compensated absences</td> <td style="text-align: right;">561,644</td> </tr> <tr> <td>Increase in OPEB liability</td> <td style="text-align: right;">(13,450,378)</td> </tr> </table> </li> <li>• Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with Governmental Activities. <span style="float: right;"><u>(485,315)</u></span></li> </ul>		Capital outlay purchases, net of disposals	11,530,971	Depreciation	(9,097,999)	Issuance of debt	(7,591,420)	Repayments of debt	5,917,388	Deferred debt amortization	(33,798)	Decrease in liability for compensated absences	561,644	Increase in OPEB liability	(13,450,378)
Capital outlay purchases, net of disposals	11,530,971														
Depreciation	(9,097,999)														
Issuance of debt	(7,591,420)														
Repayments of debt	5,917,388														
Deferred debt amortization	(33,798)														
Decrease in liability for compensated absences	561,644														
Increase in OPEB liability	(13,450,378)														
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>(17,540,136)</u></b>														

See notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues and Other Sources:</b>				
Property taxes	\$ 145,530,462	\$ 145,215,621	\$ 145,215,621	\$ -
Excise	7,000,000	6,456,611	6,318,007	(138,604)
Penalties, interest and other taxes	2,811,700	3,903,700	3,697,956	(205,744)
Charges for services	2,175,125	2,175,125	2,170,168	(4,957)
Intergovernmental	35,486,300	34,279,689	32,741,107	(1,538,582)
Licenses and permits	3,050,535	2,800,535	2,238,110	(562,425)
Fines and forfeitures	627,700	627,700	525,825	(101,875)
Interest earnings	750,000	405,939	354,579	(51,360)
Miscellaneous	445,100	490,100	573,561	83,461
Transfers in	2,602,274	2,617,410	2,645,695	28,285
Other sources	1,644,424	2,328,961	2,328,961	-
<b>Total Revenues and Other Sources</b>	<b>202,123,620</b>	<b>201,301,391</b>	<b>198,809,590</b>	<b>(2,491,801)</b>
<b>Expenditures and Other Uses:</b>				
General government	8,421,468	8,561,255	7,983,272	577,983
Public safety	24,035,467	24,523,153	24,185,476	337,677
Education	96,236,813	94,934,638	92,830,854	2,103,784
Public works	9,358,232	10,783,019	11,629,662	(846,643)
Human services	1,230,663	1,214,762	1,151,800	62,962
Culture and recreation	5,303,471	5,150,751	5,076,101	74,650
Employee benefits	42,772,382	42,182,689	42,150,630	32,059
Debt service	9,167,517	8,353,517	8,456,511	(102,994)
Intergovernmental	3,630,649	3,630,649	3,351,308	279,341
Other uses	1,966,958	1,966,958	1,966,958	-
<b>Total Expenditures and Other Uses</b>	<b>202,123,620</b>	<b>201,301,391</b>	<b>198,782,572</b>	<b>2,518,819</b>
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 27,018	\$ 27,018

See notes to financial statements.

## TOWN OF FRAMINGHAM, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF NET ASSETS

JUNE 30, 2009

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Funds
<b><u>ASSETS</u></b>				
Current:				
Cash and short-term investments	\$ 7,703,100	\$ 11,261,966	\$ 18,965,066	\$ 6,497,410
User fees, net of allowance for uncollectibles	5,733,978	5,298,767	11,032,745	-
Intergovernmental	-	793,078	793,078	-
Assessments receivable	148,569	-	148,569	-
Other assets	22,910	-	22,910	-
Total current assets	13,608,557	17,353,811	30,962,368	6,497,410
Noncurrent:				
Intergovernmental	-	200,000	200,000	-
Assessments receivable, net of current portion	1,337,124	-	1,337,124	-
Other assets	91,638	-	91,638	-
Land and construction in progress	7,390,379	18,431,530	25,821,909	-
Other capital assets, net of accumulated depreciation	34,451,401	19,158,923	53,610,324	-
Total noncurrent assets	43,270,542	37,790,453	81,060,995	-
<b>TOTAL ASSETS</b>	56,879,099	55,144,264	112,023,363	6,497,410
<b><u>LIABILITIES</u></b>				
Current:				
Warrants payable	1,789,578	2,528,361	4,317,939	62,756
Accounts payable	42,916	43,654	86,570	-
Accrued liabilities	130,895	198,591	329,486	5,911,673
Notes payable	10,614,000	7,286,000	17,900,000	-
Current portion of long-term liabilities:				
Bonds payable	1,197,928	1,159,269	2,357,197	-
Compensated absences	63,787	39,455	103,242	-
Other liabilities	-	16,208	16,208	-
Total current liabilities	13,839,104	11,271,538	25,110,642	5,974,429
Noncurrent:				
Bonds payable	9,326,621	16,098,528	25,425,149	-
OPEB liability	542,568	365,043	907,611	-
Compensated absences	32,450	4,078	36,528	-
Other liabilities	-	64,831	64,831	-
Total noncurrent liabilities	9,901,639	16,532,480	26,434,119	-
<b>TOTAL LIABILITIES</b>	23,740,743	27,804,018	51,544,761	5,974,429
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	24,161,385	15,791,755	39,953,140	-
Unrestricted	8,976,971	11,548,491	20,525,462	522,981
<b>TOTAL NET ASSETS</b>	<b>\$ 33,138,356</b>	<b>\$ 27,340,246</b>	<b>\$ 60,478,602</b>	<b>\$ 522,981</b>

See notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
<b>Operating Revenues:</b>				
Charges for services	\$ 14,547,871	\$ 14,473,548	\$ 29,021,419	\$ 39,470,126
Other	<u>30,662</u>	<u>20,928</u>	<u>51,590</u>	<u>-</u>
Total Operating Revenues	14,578,533	14,494,476	29,073,009	39,470,126
<b>Operating Expenses:</b>				
Salaries and wages	3,130,063	2,473,876	5,603,939	-
Operating expenses	1,135,650	1,421,002	2,556,652	40,235,432
Depreciation	1,142,164	886,101	2,028,265	-
Intergovernmental	6,546,693	8,846,214	15,392,907	-
Other	<u>22,910</u>	<u>-</u>	<u>22,910</u>	<u>-</u>
Total Operating Expenses	<u>11,977,480</u>	<u>13,627,193</u>	<u>25,604,673</u>	<u>40,235,432</u>
Operating Income	2,601,053	867,283	3,468,336	(765,306)
<b>Nonoperating Revenues (Expenses):</b>				
Intergovernmental revenue	-	10,028	10,028	-
Investment income	15,694	45,408	61,102	279,991
Interest expense	<u>(279,039)</u>	<u>(453,648)</u>	<u>(732,687)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>(263,345)</u>	<u>(398,212)</u>	<u>(661,557)</u>	<u>279,991</u>
Income Before Capital Contributions and Transfers	2,337,708	469,071	2,806,779	(485,315)
Capital contributions	-	277,248	277,248	-
Transfers out	<u>(1,208,930)</u>	<u>(1,115,796)</u>	<u>(2,324,726)</u>	<u>-</u>
Change in Net Assets	1,128,778	(369,477)	759,301	(485,315)
Net Assets at Beginning of Year	<u>32,009,578</u>	<u>27,709,723</u>	<u>59,719,301</u>	<u>1,008,296</u>
Net Assets at End of Year	<u>\$ 33,138,356</u>	<u>\$ 27,340,246</u>	<u>\$ 60,478,602</u>	<u>\$ 522,981</u>

See notes to financial statements.

## TOWN OF FRAMINGHAM, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers and users	\$ 14,173,128	\$ 14,446,288	\$ 28,619,416	\$ 39,470,126
Payments to vendors	(7,075,950)	(9,877,037)	(16,952,987)	(42,442,940)
Payments to employees	(2,573,914)	(2,118,623)	(4,692,537)	-
Net Cash Provided By (Used For) Operating Activities	4,523,264	2,450,628	6,973,892	(2,972,814)
<b>Cash Flows From Noncapital Financing Activities:</b>				
Transfer out	(1,208,930)	(1,115,796)	(2,324,726)	-
Other non operating income	-	287,276	287,276	-
Net Cash Provided by (Used For) Noncapital Financing Activities	(1,208,930)	(828,520)	(2,037,450)	-
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Proceeds from issuance of bonds and notes	10,824,180	14,430,370	25,254,550	-
Acquisition and construction of capital assets	(7,582,066)	(11,764,461)	(19,346,527)	-
Principal payments on bonds and notes	(2,234,937)	(1,370,603)	(3,605,540)	-
Interest expense	(332,373)	(437,157)	(769,530)	-
Net Cash (Used For) Capital and Related Financing Activities	674,804	858,149	1,532,953	-
<b>Cash Flows From Investing Activities:</b>				
Investment income	15,694	45,408	61,102	279,991
Net Change in Cash and Short-Term Investments	4,004,832	2,525,665	6,530,497	(2,692,823)
Cash and Short-Term Investments, Beginning of Year	3,698,268	8,736,301	12,434,569	9,190,233
Cash and Short-Term Investments, End of Year	\$ 7,703,100	\$ 11,261,966	\$ 18,965,066	\$ 6,497,410
<b>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</b>				
Operating income (loss)	\$ 2,601,053	\$ 867,283	\$ 3,468,336	\$ (765,306)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	1,142,164	886,101	2,028,265	-
Changes in assets and liabilities:				
User fees	(637,572)	(248,188)	(885,760)	-
Intergovernmental	-	200,000	200,000	-
Assessments receivable	232,167	-	232,167	-
Other assets	22,910	-	22,910	-
Warrants payable	706,765	431,746	1,138,511	62,080
Accounts payable	(100,372)	(25,359)	(125,731)	-
Accrued liabilities	(5,993)	(19,772)	(25,765)	(2,269,588)
Other liabilities	562,142	358,817	920,959	-
Net Cash Provided By (Used For) Operating Activities	\$ 4,523,264	\$ 2,450,628	\$ 6,973,892	\$ (2,972,814)

See notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2009

	Pension Trust Fund (as of <u>December 31, 2008</u> )	Agency <u>Funds</u>
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ 1,143,649	\$ 4,388,566
Investments	<u>150,264,721</u>	<u>-</u>
Total Assets	151,408,370	4,388,566
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Warrants payable	-	26,427
Accounts payable	11,752	197,636
Accrued liabilities	-	24
Deferred revenue	4,795,000	-
Other liabilities	<u>-</u>	<u>4,164,479</u>
Total Liabilities	<u>4,806,752</u>	<u>4,388,566</u>
Total Net Assets Held in Trust For Pension Benefits	<u>\$ 146,601,618</u>	<u>\$ -</u>

See notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Pension Trust Fund (as of December 31, 2008)</u>
<b>Additions:</b>	
Contributions:	
Employers	\$ 9,365,000
Plan members	5,085,659
Reimbursements from Federal grants	72,067
Reimbursements from Commonwealth of Massachusetts	667,101
Reimbursements from other systems	<u>357,432</u>
Total contributions	15,547,259
Investment Income (Loss):	
Increase (decrease) in fair value of investments	(64,032,115)
Less: management fees	<u>(921,807)</u>
Net investment income (loss)	<u>(64,953,922)</u>
Total additions	(49,406,663)
<b>Deductions:</b>	
Benefit payments to plan members and beneficiaries	15,770,903
Reimbursements to other systems	430,756
Refunds and transfers of plan member accounts to other systems	931,183
Administrative expenses	<u>265,277</u>
Total deductions	<u>17,398,119</u>
Net (decrease)	(66,804,782)
<b>Net assets held in trust for pension benefits:</b>	
Beginning of Year	<u>213,406,400</u>
End of Year	<u><u>\$ 146,601,618</u></u>

See notes to financial statements.

# TOWN OF FRAMINGHAM, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Framingham (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

Blended Component Units - Blended component units are entities that are legally separate, but are so related that they are, in substance, the same as the primary government, providing services entirely or almost entirely for the benefit of the primary government. The following component unit is blended within the primary government:

In the Fiduciary Funds: The Framingham Contributory Retirement System which was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at 150 Concord Street, Framingham, MA 01702.

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

##### Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. 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. Likewise, the primary government is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (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*.

#### Fund Financial Statements

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

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

#### Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund and fiduciary fund financial statements. 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 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

#### Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both 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. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are

considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *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.
- The *ARRA (American Recovery and Reinvestment Act) Fund* is used to account for the receipt and expenditure of federal "stimulus" funds awarded the community to replace some of the fiscal year 2009 Chapter 70 State aid reductions.

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 of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The government reports the following major proprietary funds:

- The *water fund* is used to report the Town's water enterprise fund operations.
- The *sewer fund* is used to report the Town's sewer enterprise fund operations.

The self-insured employee health program is reported as an *internal service fund* in the accompanying financial statements.

The *pension trust fund* accounts for the activities of the Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *agency fund* is custodial in nature and is used to account for funds held for others. Agency funds report only assets and liabilities, and thus have no measurement focus.

#### D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type was included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

#### E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Contributory Retirement System are fully invested in the Commonwealth's Pension Reserve Investment Trust, and are carried at fair value.

#### F. Property Tax Limitations

Legislation known as "Proposition 2 ½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent

(excluding new growth), unless an override is voted. The actual fiscal year 2009 tax levy reflected an excess capacity of \$ 20,991.

*G. Inventories*

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

*H. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	7 - 20
Infrastructure	50 - 75
Vehicles	5 - 10
Machinery, equipment and furnishings	5 - 10
Computer equipment	5

*I. Compensated Absences*

The government's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in

governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

*J. Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

*K. Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*L. Use of Estimates*

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

**2. Stewardship, Compliance, and Accountability**

*A. Budgetary Information*

At the annual town meeting, the Chief Financial Officer presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for

the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate. Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

*B. Budgetary Basis*

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

*C. Budget/GAAP Reconciliation*

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 211,743,530	\$ 215,186,599
Other financing sources/uses (GAAP basis)	<u>2,645,695</u>	<u>-</u>
Subtotal (GAAP Basis)	214,389,225	215,186,599
Adjust tax revenue to accrual basis	480,386	-
Reverse expenditures of prior year carryforwards	-	(1,544,963)
Add end of year appropriation carryforwards to expenditures	-	1,533,383

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<u>General Fund</u>	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Teachers' deferral	397,914	596,872
To reverse the effect of non- budgeted State contributions for teachers retirement	(18,388,982)	(18,388,982)
To reverse non-budgeted activity	-	(28,830)
To reverse change in accrued interest	-	58,407
Recognize other sources and uses	<u>1,931,047</u>	<u>1,370,086</u>
Budgetary basis	<u>\$ 198,809,590</u>	<u>\$ 198,782,572</u>

*D. Excess of Expenditures Over Appropriations*

Expenditures exceeding appropriations during the current fiscal year were as follows:

Snow and ice	\$ (1,288,102)
Interest on excluded debt	\$ (107,495)

*E. Deficit Fund Equity*

The following funds had deficits as of June 30, 2009:

Nonmajor governmental funds:

Capital project funds:

High School Project	\$ (3,402,763)
ADA Multiple Bldg & Sch	\$ (78,444)
McCarthy School Roof	\$ (28,368)
DDC Energy Conser	\$ (3,648)
Park St Drainage	\$ (47,888)
Main Lib Door & Window	\$ (19,667)
Memorial Bldg Stair	\$ (29,990)
Maynard Chimney	\$ (59,856)
Demo Badger Rd	\$ (24,300)
Old Sr Ctr Roof	\$ (38,764)
Sucker Brk Drainage	\$ (28,671)
Town/Sch Bldg Mgmnt	\$ (96,954)
Main Library Renovation	\$ (70,893)
Bowditch Mstr Plan	\$ (1,137,077)

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Nonmajor governmental funds:

Prisoner Processing	\$	(91,433)
Saxonville Levy	\$	(352,743)
70K GVW Dmp & Plow	\$	(5,063)
Senior Center 535 Union Ave	\$	(43,706)
Web Content Mgt Syst	\$	(58,219)
Permits, License Insp	\$	(237,549)
Wireless Access	\$	(175,647)

Special revenue funds:

U.S. Dept. of Justice Grant	\$	(1,290)
Community Development Block Grant	\$	(11,586)
Mass. Turnpike Grant	\$	(3,321)
Violence Against Women Act	\$	(6,171)
W. Wilson Weight & Eating	\$	(1,599)
Workforce Investment Act	\$	(1,200)
NIN/NEVUS Study	\$	(18,764)

The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

### **3. Cash and Short-Term Investments**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's and Contributory Retirement System's (the System) deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town's deposit policy for custodial credit risk is to limit unsecured bank deposits to no more than 5% of the institution's assets and no more than 10% of the municipality's cash.

Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The System does not have a deposit policy for custodial credit risk.

As of June 30, 2009 and December 31, 2008, \$ 15,208,249 and \$ 1,132,839 of the Town's and System's bank balances of \$ 51,958,692 and \$ 1,693,591 respectively, was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's and System's name.

Of the Town's balance exposed to custodial credit risk, \$ 12,842,069 is on deposit with MMDT.

Of the System's balance exposed to custodial credit risk, \$ 1,076,892 is on deposit with PRIT and \$ 55,947 is on deposit with MMDT.

#### 4. Investments

##### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) are the Town's investments at June 30, 2009, and, where applicable, the average credit rating of the fixed income securities (All federal agency securities have an implied credit rating of AAA):

<u>Investment Type</u>	Fair <u>Value</u>	Rating as of Year End				
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not Rated</u>
Corporate stocks	\$ 753	\$ -	\$ -	\$ -	\$ -	\$ 753
Corporate bonds	1,344	-	403	680	261	-
Certificate of deposit	4,790	-	-	-	-	4,790
Mutual funds	758	-	-	-	-	758
Federal agency securities	4,094	4,094	-	-	-	-
Total investments	\$ <u>11,739</u>	\$ <u>4,094</u>	\$ <u>403</u>	\$ <u>680</u>	\$ <u>261</u>	\$ <u>6,301</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

At December 31, 2008, the Contributory Retirement System maintained its investments in the State Investment Pool\* with a fair value of \$ 150,264,721. This investment type is not rated.

*\*Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The*

*Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

**B. Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's policy for custodial credit risk is to limit investments to the state investment pool, U.S. Treasury obligations, U.S. Agency obligations, and certificates of deposit. The System does not have policies for custodial credit risk.

The Town's investments of \$ 11,739,215 were exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

The System's investments of \$150,264,721 were exposed to custodial credit risk as uninsured and uncollateralized. However, these investments were held in the State Investment Pool.

**C. Concentration of Credit Risk**

The Town's policy for concentration of credit risk is to limit investments in a single financial institution to no more than 10% of the Town's investments with the exception of U.S. Treasury obligations of investments fully collateralized by U.S. Treasuries or agencies, and state pools.

Town investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

Federal Farm Credit Bank	\$ 614,422
Federal Home Loan Bank	1,061,860
Federal Home Loan Mortgage Corporation	952,637
Federal National Mortgage Association	1,465,406

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund.

The Contributory Retirement System does not have an investment in one issuer greater than 5% of total investments.

*D. Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's policy for interest rate risk is to structure the portfolio so securities mature to meet all operating requirements that may be reasonably anticipated, thus avoiding the need to sell securities on the open market prior to maturity. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt Related Securities:				
Corporate bonds	\$ 1,344	\$ -	\$ 1,344	\$ -
Certificate of deposit	4,790	2,116	2,674	-
Federal agency securities	4,094		3,967	127
Total	\$ <u>10,228</u>	\$ <u>2,116</u>	\$ <u>7,985</u>	\$ <u>127</u>

The Retirement system does not maintain investments that are sensitive to market interest rate fluctuations.

*E. Foreign Currency Risk*

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town and System do not have policies for foreign currency risk.

**5. Taxes Receivable**

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to

foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2009 consist of the following (in thousands):

Real Estate		
2009	\$ 3,577	
2008	<u>113</u>	
		3,690
Personal Property		
2009	42	
2008	42	
2007	42	
2006	25	
2005	39	
2004	73	
Prior	<u>60</u>	
		323
Tax Liens		2,076
Deferred Taxes		310
Tax Foreclosures		<u>548</u>
Total		<u>\$ 6,947</u>

## 6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 1,466	\$ -
Excises	1,250	-
Utilities	-	518

## 7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2009, as well as funding to be provided by the Massachusetts School Building Authority for reimbursement of approved school capital project expenditures.

## 8. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 169,838,600	\$ 3,810,993	\$ -	\$ 173,649,593
Vehicles, machinery, equipment and furnishings	27,211,361	4,296,943	-	31,508,304
Infrastructure	<u>39,124,938</u>	<u>2,209,714</u>	<u>(990)</u>	<u>41,333,662</u>
Total capital assets, being depreciated	236,174,899	10,317,650	(990)	246,491,559
Less accumulated depreciation for:				
Buildings and improvements	(45,455,649)	(5,019,318)	-	(50,474,967)
Vehicles, machinery, equipment and furnishings	(16,935,100)	(3,049,963)	-	(19,985,063)
Infrastructure	<u>(14,450,961)</u>	<u>(1,028,718)</u>	<u>990</u>	<u>(15,478,689)</u>
Total accumulated depreciation	<u>(76,841,710)</u>	<u>(9,097,999)</u>	<u>990</u>	<u>(85,938,719)</u>
Total capital assets, being depreciated, net	159,333,189	1,219,651	-	160,552,840
Capital assets, not being depreciated:				
Land	18,517,080	3,719	-	18,520,799
Construction in progress	<u>961,052</u>	<u>1,449,553</u>	<u>(239,951)</u>	<u>2,170,654</u>
Total capital assets, being depreciated, net	<u>19,478,132</u>	<u>1,453,272</u>	<u>(239,951)</u>	<u>20,691,453</u>
Governmental activities capital assets, net	<u>\$ 178,811,321</u>	<u>\$ 2,672,923</u>	<u>\$ (239,951)</u>	<u>\$ 181,244,293</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 5,360,951	\$ 734,402	\$ -	\$ 6,095,353
Vehicles, machinery, equipment and furnishings	5,904,676	694,909	-	6,599,585
Infrastructure	<u>72,960,939</u>	<u>5,171,685</u>	<u>-</u>	<u>78,132,624</u>
Total capital assets, being depreciated	84,226,566	6,600,996	-	90,827,562
Less accumulated depreciation for:				
Buildings and improvements	(2,516,442)	(166,072)	-	(2,682,514)
Vehicles, machinery, equipment and furnishings	(3,240,214)	(567,844)	-	(3,808,058)
Infrastructure	<u>(29,432,317)</u>	<u>(1,294,349)</u>	<u>-</u>	<u>(30,726,666)</u>
Total accumulated depreciation	<u>(35,188,973)</u>	<u>(2,028,265)</u>	<u>-</u>	<u>(37,217,238)</u>
Total capital assets, being depreciated, net	49,037,593	4,572,731	-	53,610,324

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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	292,178	27,470	-	319,648
Construction in progress	<u>12,784,200</u>	<u>12,718,061</u>	<u>-</u>	<u>25,502,261</u>
Total capital assets, being depreciated, net	<u>13,076,378</u>	<u>12,745,531</u>	<u>-</u>	<u>25,821,909</u>
Business-Type activities capital assets, net	<u>\$ 62,113,971</u>	<u>\$ 17,318,262</u>	<u>\$ -</u>	<u>\$ 79,432,233</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

**Governmental Activities:**

General government	\$ 782,048
Public safety	1,147,079
Education	4,171,970
Public works	2,045,392
Health and human services	104,507
Culture and recreation	<u>847,003</u>

Total depreciation expense - governmental activities \$ 9,097,999

**Business-Type Activities:**

Water	\$ 1,142,164
Sewer	<u>886,101</u>

Total depreciation expense - business-type activities \$ 2,028,265

**9. Warrants and Accounts Payable**

Warrants payable represent 2009 expenditures paid by July 15, 2009.

Accounts payable represent additional 2009 expenditures paid after July 15, 2009.

**10. Deferred Revenue**

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund *deferred revenues* account is equal to the total of all June 30, 2009 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

**11. Tax Refunds Payable**

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

**12. Anticipation Notes Payable**

The Town had the following notes outstanding at June 30, 2009:

	Interest Rate	Date of Issue	Date of Maturity	Balance at 6/30/09
Bond anticipation	0.75%	06/19/09	12/17/09	\$ 2,545,000
Bond anticipation	1.50%	06/19/09	06/18/10	<u>22,276,076</u>
Total				<u>\$ 24,821,076</u>

The following summarizes activity in notes payable during fiscal year 2009:

	Beginning of Year	New Issues	Maturities	End of Year
Bond anticipation	\$ 2,111,172	\$ -	\$ (2,111,172)	\$ -
Bond anticipation	7,658,657	-	(7,658,657)	-
Bond anticipation	-	2,111,172	(2,111,172)	-
Bond anticipation	-	2,545,000	-	2,545,000
Bond anticipation	-	<u>22,276,076</u>	-	<u>22,276,076</u>
Total	<u>\$ 9,769,829</u>	<u>\$ 26,932,248</u>	<u>\$ (11,881,001)</u>	<u>\$ 24,821,076</u>

**13. Long-Term Debt**

*A. General Obligation Bonds*

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

	<u>Serial Maturities Through</u>	<u>Interest Rate(s)%</u>	Amount Outstanding as of <u>June 30, 2009</u>
<u>Governmental Activities:</u>			
General obligation	03/25	3.79	\$ 2,400,000
General obligation	03/24	3.79	1,300,000
General obligation	03/12	3.83	650,000
General obligation	08/14	4.00	5,495,000
General obligation	03/24	3.79	1,195,000
General obligation	02/19	4.34	10,298,000
General obligation	03/13	3.00	265,000
General obligation	11/23	0.00	360,770
General obligation	03/20	5.51	10,184,000
General obligation	03/24	3.00	1,110,000
General obligation	03/15	3.00	2,907,592
General obligation	06/26	4.08	1,870,000
General obligation	11/27	3.84	4,945,000
General obligation	07/27	2.00	295,404
General obligation	06/24	3.00	<u>7,591,420</u>
Total Governmental			<u>\$ 50,867,186</u>

	<u>Serial Maturities Through</u>	<u>Interest Rate(s)%</u>	Amount Outstanding as of <u>June 30, 2009</u>
<u>Business-Type Activities:</u>			
Water bond (MWRA)	03/13	3.00	\$ 295,000
Sewer bond	03/25	3.79	515,000
Water bond	03/12	3.83	45,000
Water bond (MWRA)	03/20	5.51	173,636
Sewer bond	03/12	3.83	65,000
Water bond (MWRA)	05/12	0.00	260,454
Sewer bond (MWRA)	06/15	2.54	169,660
Water	03/24	3.00	2,815,000
Sewer	03/12	3.00	15,000
Sewer (MWPAT)	03/24	0.00	250,252
Water	03/15	3.00	270,898
Sewer	03/15	3.00	366,509
Water bond	03/25	3.79	1,360,000
Sewer bond (MWRA)	11/10	0.00	162,250
Water bond (MWRA)	02/15	0.00	869,400

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	Serial Maturities <u>Through</u>	Interest Rate(s)%	Amount Outstanding as of <u>June 30, 2009</u>
<u>Business-Type Activities:</u>			
Sewer bond (MWRA)	02/10	0.00	49,610
Water bond (MWRA)	02/16	0.00	1,399,370
Sewer bond (MWRA)	11/10	0.00	92,840
Water	06/26	4.08	2,230,000
Sewer	06/26	4.08	1,100,000
Sewer	11/27	3.84	2,855,000
Water	11/27	3.84	500,000
Sewer	07/27	2.00	9,067,896
Sewer (MWPAT)	07/28	2.00	475,000
Sewer (MWPAT)	07/28	2.00	2,146,991
Water	06/24	3.00	210,180
Sewer	06/24	3.00	22,400
Total Business-Type			<u>\$ 27,782,346</u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2009 are as follows:

	<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$	6,945,969	\$	1,592,118
2011		6,230,947		1,458,317
2012		5,765,368		1,267,413
2013		5,349,028		1,087,123
2014		4,691,363		905,946
2015-2019		16,135,586		2,592,155
2020-2024		4,722,084		665,992
2025-2029		1,026,841		90,956
Total	\$	<u>50,867,186</u>	\$	<u>9,660,020</u>
			\$	<u>60,527,206</u>

The general fund has been designated as the source to repay the governmental-type general obligation debt outstanding as of June 30, 2009.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,357,197	\$ 762,785	\$ 3,119,982
2011	2,097,078	707,690	2,804,768
2012	1,988,601	660,891	2,649,492
2013	1,847,812	612,909	2,460,721
2014	1,856,391	557,214	2,413,605
2015-2019	7,152,922	2,088,806	9,241,728
2020-2024	6,432,972	1,087,585	7,520,557
2025-2029	<u>4,049,373</u>	<u>218,247</u>	<u>4,267,620</u>
Total	<u>\$ 27,782,346</u>	<u>\$ 6,696,127</u>	<u>\$ 34,478,473</u>

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2009 are as follows:

<u>Purpose</u>	<u>Amount</u>
High School Prog	\$ 906,084
Water St. Sewer Replacement	1,072,306
Birch Road Well	780,000
Water St. Gregry	1,592,000
Concord School	4,557,500
East Fram Sewer	1,048,500
Wastewater Pump	1,982,809
Herbert St Sewer	1,323,250
Replace Rescue 1 Trck	530,000
Bowditch Mstr Plan	6,049,000
Schl Security Camera	690,000
Grove St Water Pump	2,869,836
Water St Main	6,522,150
Prospect St Wtr Main	2,700,000
N Concord St Wtr	600,000
Birch Rd Well React	1,630,400
North Fram Pump Stn	792,500
Farm Pd. Interceptor	800,000
Cove Area Swr Main	753,750
Prospect St A Swr	2,438,906
Concord St. Purchase	1,750,000
May/Mem Bld	1,555,000
Roadway Imp	750,000
IP Phones	750,000

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<u>Purpose</u>	<u>Amount</u>
Birch Rd.	40,337,900
Concord St.	2,000,000
State St.	550,000
Pearl Hrbr	505,000
Rte. 9 Wtr	900,000
Chouteau	800,000
Coburn St.	1,540,000
East Fram	40,407,100
Concord St.	2,480,000
State St.	900,000
Lakeview	1,600,000
Coburn St.	2,000,000
Other (93 individual projects)	<u>13,684,033</u>
Total	<u>\$ 152,148,024</u>

*D. Overlapping Debt*

The Town's proportionate share of debt of other governmental units which provide services within the Town's boundaries, and which must be borne by the resources of the Town, is summarized below (in thousands and unaudited):

<u>Related Entity</u>	<u>Principal</u>		<u>Town's Estimated Share</u>
MWRA - Water	\$ 1,894,069	3.72%	\$ 70,459
MWRA - Sewer	3,718,957	2.90%	<u>107,850</u>
			<u>\$ 178,309</u>

*E. Legal Debt Margin*

The Town is subject to the General Laws of the Commonwealth of Massachusetts which, in general, limits the amount of bonded debt the Town may have outstanding to 5 percent of the valuation of taxable property as last equalized by the Commonwealth's Department of Revenue. The following is a computation of the legal debt margin as of June 30, 2009 (in thousands):

Equalized valuation - January 31, 2009		\$	<u>9,547,282</u>
Debt limit - 5% of equalized valuation		\$	477,364
Total debt outstanding	78,650		
Less: debt exempt from limit	<u>(32,573)</u>		<u>46,077</u>
Legal Debt Margin		\$	<u>431,287</u> *

\* Excludes bond anticipation notes and authorized but unissued debt.

*F. Advance and Current Refundings*

Current Year

On April 16, 2009, the Town issued general obligation bonds in the amount of \$ 19,577,000 with an interest rate of 2.85% to advance refund \$ 10,000,000 of term bonds with an interest rate ranging from 4.25% to 4.75% and \$ 8,700,000 of term bonds with an interest rate ranging from 5.35% to 6.00%. The term bonds mature on February 1 in the years 2010 through 2019, and March 1 in the years 2011 through 2020 respectively. The general obligation bonds were issued at 2.85% and, after paying issuance costs of \$ 90,010, the net proceeds were \$ 19,486,990. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the Town's financial statements.

As a result of the advance refunding, the Town reduced its total debt service cash flow requirements by \$ 24,466,500, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$ 1,787,262.

Prior Years

In prior years, the Town has defeased various bond issues by creating separate irrevocable trust funds. The proceeds from the new issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature on March 15, 2015. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Town's balance sheet.

As of June 30, 2009, the total amount of defeased debt outstanding but removed from the governmental activities and business-type activities was \$ 24,295,000.

**G. Changes in General Long-Term Liabilities**

During the year ended June 30, 2009, the following changes occurred in long-term liabilities (in thousands):

	Total Balance July 1, 2008	Additions	Reductions	Total Balance June 30, 2009	Less Current Portion	Equals Long-Term Portion June 30, 2009
<b><u>Governmental Activities</u></b>						
Bonds payable	\$ 48,316	\$ 8,468	\$ (5,917)	\$ 50,867	\$ (6,946)	\$ 43,921
OPEB liability	14,008	13,450	-	27,458	-	27,458
Accrued employee benefits	<u>3,200</u>	<u>-</u>	<u>(561)</u>	<u>2,639</u>	<u>(1,965)</u>	<u>674</u>
Totals	\$ <u>65,524</u>	\$ <u>21,918</u>	\$ <u>(6,478)</u>	\$ <u>80,964</u>	\$ <u>(8,911)</u>	\$ <u>72,053</u>
	Total Balance July 1, 2008	Additions	Reductions	Total Balance June 30, 2009	Less Current Portion	Equals Long-Term Portion June 30, 2009
<b><u>Business-Type Activities</u></b>						
Bonds payable	\$ 27,112	\$ 2,854	\$ (2,184)	\$ 27,782	\$ (2,357)	\$ 25,425
OPEB liability	-	908	-	908	-	908
Accrued employee benefits	110	30	-	140	(103)	37
Other liabilities	<u>97</u>	<u>-</u>	<u>(16)</u>	<u>81</u>	<u>(16)</u>	<u>65</u>
Totals	\$ <u>27,319</u>	\$ <u>3,792</u>	\$ <u>(2,200)</u>	\$ <u>28,911</u>	\$ <u>(2,476)</u>	\$ <u>26,435</u>

**14. Restricted Net Assets**

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

**15. Reserves and Designations of Fund Equity**

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use. Fund “designations,” which are not legally required segregations, have also been established to indicate tentative plans for future financial utilization.

The following types of reserves are reported at June 30, 2009:

Reserved for Encumbrances and continuing Appropriations - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Expenditures - Represents the amount of fund balance appropriated to be used for expenditures in the subsequent year budget.

Reserved for Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

Unreserved Designated - Represents the amount of fund balance designated for petty cash, inventory, and future debt service.

## **16. General Fund Undesignated Fund Balance**

The undesignated general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

Massachusetts general laws include provisions to allow municipalities to overexpend certain appropriations if they are incurred in an emergency situation and for the safety of the public. The most common example involves the “snow and ice” appropriation. All such overexpenditures, however, must be funded in the subsequent year’s tax rate.

Massachusetts General Laws require that non-property tax revenue budget shortfalls, net of appropriation turnbacks, be funded in the subsequent year. The same treatment is also applied to the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay).

The Massachusetts State Legislation also allowed municipalities to defer funding for a portion of the 1992 and 1993 teachers summer pay to future years. This must be funded within a 15 year period, beginning in 1997. The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund undesignated fund balance:

GAAP basis balance	\$ 1,858,810
Teacher pay deferral	397,914
Tax refund estimate	<u>4,346,047</u>
Statutory (UMAS) Balance	\$ <u><u>6,602,771</u></u>

**17. Commitments and Contingencies**

Outstanding Lawsuits - There are several pending lawsuits in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**18. Post-Employment Health Care and Life Insurance Benefits**

**Other Post-Employment Benefits**

During the year, the Town implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

**A. Plan Description**

In addition to providing the pension benefits described, the Town provides post-employment health care and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2008, the actuarial valuation date, approximately 1,538 retirees and 1,895 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

*B. Benefits Provided*

The Town provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

*C. Funding Policy*

Retirees contribute various percentages of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

*D. Annual OPEB Costs and Net OPEB Obligation*

The Town's fiscal 2009 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2009, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2008.

Annual Required Contribution (ARC)	\$ 26,539,476
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	<u>26,539,476</u>
Contributions made	<u>(12,181,487)</u>
Increase in net OPEB obligation	14,357,989
Net OPEB obligation - beginning of year	<u>14,007,989</u>
Net OPEB obligation - end of year	<u>\$ 28,365,978</u>

*E. Funded Status and Funding Progress*

The funded status of the plan as of July 1, 2008, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 389,842,640
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 389,842,640</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 97,125,409</u>
UAAL as a percentage of covered payroll	<u>401%</u>

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

*F. Actuarial Methods and Assumptions*

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

In the July 1, 2008 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 7% which decreases to a 5% long-term rate for all healthcare benefits after five years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.5%.

**19. Contributory Retirement System**

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

*A. Plan Description and Contribution Information*

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Framingham Contributory Retirement System (FCRS), a cost sharing, multiple employer defined benefit PERS. Eligible employees must participate in the FCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the FCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The FCRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission.

Membership of each plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	776
Terminated plan members entitled to but not yet receiving benefits	28
Active plan members	<u>1,131</u>
Total	<u><u>1,935</u></u>
Number of participating employers	2

Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The percentage is determined by the participant's date of entry into the system. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of \$ 30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC). The Town's Schedule of Employer Contributions is as follows:

Schedule of Employer Contributions (Town Share only):

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2000	\$ 6,888,019	100%
2001	\$ 6,023,613	100%
2002	\$ 6,521,400	100%
2003	\$ 6,796,400	100%
2004	\$ 6,994,318	100%
2005	\$ 7,399,266	100%
2006	\$ 7,755,370	100%
2007	\$ 8,166,783	100%
2008	\$ 8,841,122	100%
2009	\$ 9,303,259	100%

B. Summary of Significant Accounting Policies

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value in accordance with PERAC requirements.

C. Funded Status and Funding Progress

The information presented below is from the Framingham Contributory Retirement System's most recent valuation (in thousands).

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percent- age of Covered Payroll [(b-a)/c]</u>
01/01/08	\$ 197,875	\$ 262,770	\$ 64,895	75.3%	\$ 48,878	133%

The Schedule of Funding Progress following the notes to the financial statements presents multi-year trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

D. Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation using the entry age normal actuarial cost method. Under this method an unfunded actuarial accrued liability of \$ 64.9 million was calculated. The actuarial assumptions included (a) 8 % investment rate of return and (b) a projected salary increase of 4.75 - 5.25 % per year. Liabilities for cost of living increases have been assumed at an annual increase of 3 %, on the first \$ 12,000 of benefit payments. The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8 %) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. As of December 31, 2008, the unfunded actuarially accrued liability is being amortized over 19 years using a 0.25 % annual increasing basis.

E. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute. All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$ 30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7% *
January 1, 1984 - June 30, 1996	8% *
July 1, 1996 - June 30, 2001	9% *
Beginning July 1, 2001	11%

\*Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$ 30,000.

The Town's current year covered payroll for teachers and administrators was \$ 54,567,425.

In fiscal year 2009, the Commonwealth of Massachusetts contributed \$ 18,388,982 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

**20. Self Insurance**

The Town self insures against claims for workers compensation, unemployment and most employee health coverage. Annual estimated requirements for claims are provided in the Town’s annual operating budget.

Health Insurance

The Town contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the Town is liable for claims up to \$ 75,000 per incident, with a maximum lifetime coverage of \$ 2,000,000. The claims liability represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year end.

Changes in the aggregate liability for claims for the year ended June 30, 2009 are as follows:

	<u>Health Coverage</u>
Claims liability, beginning of year, as restated	\$ 8,181,261
Claims incurred/recognized in fiscal year 2009	40,235,432
Claims paid in fiscal year 2009	<u>(42,505,020)</u>
Claims liability, end of year	<u><u>\$ 5,911,673</u></u>

**21. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

**22. Beginning Fund Balance Reclassification**

The Town's major governmental funds for fiscal year 2009, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/08 (as previously <u>reported</u> )	<u>Reclassification</u>	Fund Equity 6/30/08 ( <u>as restated</u> )
Nonmajor funds	\$ 11,127,613	\$ (3,013,024)	\$ 8,114,589
High School Renovation fund	<u>(3,013,024)</u>	<u>3,013,024</u>	<u>-</u>
Total	<u>\$ 8,114,589</u>	<u>\$ -</u>	<u>\$ 8,114,589</u>

**TOWN OF FRAMINGHAM, MASSACHUSETTS**  
**SCHEDULE OF FUNDING PROGRESS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2009

(Unaudited)

(Amounts Expressed in thousands)

**Employees' Retirement System**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
01/01/91	\$ 40,645	\$ 92,433	\$ 51,788	44.0%	\$ 27,351	189%
01/01/95	\$ 62,360	\$ 122,220	\$ 59,860	51.0%	\$ 29,168	205%
01/01/98	\$ 105,941	\$ 156,983	\$ 51,042	67.5%	\$ 33,120	154%
01/01/00	\$ 147,572	\$ 181,149	\$ 33,577	81.5%	\$ 39,871	84%
01/01/02	\$ 142,893	\$ 206,810	\$ 63,917	69.1%	\$ 42,132	152%
01/01/04	\$ 148,125	\$ 220,001	\$ 71,876	67.3%	\$ 41,233	174%
01/01/06	\$ 157,611	\$ 241,752	\$ 84,141	65.2%	\$ 45,439	185%
01/01/08	\$ 197,875	\$ 262,770	\$ 64,895	75.3%	\$ 48,878	133%

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
07/01/08	\$ -	\$ 389,843	\$ 389,843	0.0%	\$ 97,125	401%

See Independent Auditors' Report.