

**TOWN OF  
FRAMINGHAM, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2011**

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# MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

10 New England Business Center Drive • Suite 107

Andover, MA 01810-1096

(978) 749-0005 • Fax (978) 749-0006

[www.melansonheath.com](http://www.melansonheath.com)

## 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, 2011, (except for the Framingham Contributory Retirement System which is as of and for the year ended December 31, 2010) 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, 2011, (except the Framingham Contributory Retirement System which is as of December 31, 2010), 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 59, 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 March 15, 2012 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  
March 15, 2012

## **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, 2011. Unless otherwise noted, all amounts reported in this analysis are expressed in thousands.

### **A. 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 our 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 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 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 include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities 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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water and sewer operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for self-insured employee health programs. Because these services predominantly benefit 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 business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds.

**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 the Town'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 which is required to be disclosed by accounting principles generally accepted in the United States of America.

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 198,892 (i.e., net assets), a change of \$ (3,171) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 25,048, a change of \$ 12,967 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 3,261, a change of \$ 95 in comparison to the prior year, while committed fund balance was \$ 7,689, a change of \$ 1,454 in comparison to the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 127,399, a change of \$ 45,271 in comparison to the prior year. The Town also had \$ 61,071 in bond anticipation notes outstanding at year-end.

## **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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 82,772	\$ 78,389	\$ 65,943	\$ 76,544	\$ 148,715	\$ 154,933
Capital assets	<u>188,430</u>	<u>185,169</u>	<u>147,753</u>	<u>113,570</u>	<u>336,183</u>	<u>298,739</u>
Total assets	<u>271,202</u>	<u>263,558</u>	<u>213,696</u>	<u>190,114</u>	<u>484,898</u>	<u>453,672</u>
Long-term liabilities						
outstanding	118,613	93,167	71,096	34,989	189,709	128,156
Notes payable	2,522	11,390	58,549	79,763	61,071	91,153
Other liabilities	<u>28,586</u>	<u>26,324</u>	<u>6,640</u>	<u>5,976</u>	<u>35,226</u>	<u>32,300</u>
Total liabilities	<u>149,721</u>	<u>130,881</u>	<u>136,285</u>	<u>120,728</u>	<u>286,006</u>	<u>251,609</u>
Net assets:						
Invested in capital assets, net of related debt	127,781	126,223	47,664	45,235	175,445	171,458
Restricted	11,600	9,444	-	-	11,600	9,444
Unrestricted	<u>(17,900)</u>	<u>(2,990)</u>	<u>29,747</u>	<u>24,151</u>	<u>11,847</u>	<u>21,161</u>
Total net assets	<u>\$ 121,481</u>	<u>\$ 132,677</u>	<u>\$ 77,411</u>	<u>\$ 69,386</u>	<u>\$ 198,892</u>	<u>\$ 202,063</u>

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

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 26,782	\$ 26,964	\$ 32,697	\$ 30,549	\$ 59,479	\$ 57,513
Operating grants and contributions	55,157	56,320	-	-	55,157	56,320
Capital grants and contributions	3,691	4,313	8,749	7,750	12,440	12,063
General revenues:						
Property Taxes	155,536	151,384	-	-	155,536	151,384
Excises	6,169	6,160	-	-	6,169	6,160
Penalties, interest and other taxes	4,013	3,294	-	-	4,013	3,294
Grants and contributions not restricted to specific programs	8,801	9,275	-	-	8,801	9,275
Investment income	812	598	5	6	817	604
Miscellaneous	<u>1,398</u>	<u>1,058</u>	<u>158</u>	<u>647</u>	<u>1,556</u>	<u>1,705</u>
<b>Total revenues</b>	<u>262,359</u>	<u>259,366</u>	<u>41,609</u>	<u>38,952</u>	<u>303,968</u>	<u>298,318</u>

(continued)



(continued)

**CHANGES IN NET ASSETS**

	Governmental		Business-Type		Totals	
	<u>Activities</u>		<u>Activities</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Expenses:</b>						
General government	9,997	10,672	-	-	9,997	10,672
Public safety	31,355	30,536	-	-	31,355	30,536
Education	146,137	147,556	-	-	146,137	147,556
Public works	14,669	15,233	-	-	14,669	15,233
Human services	1,507	1,490	-	-	1,507	1,490
Culture and recreation	6,959	7,341	-	-	6,959	7,341
Employee benefits	59,772	57,329	-	-	59,772	57,329
Interest	2,033	1,736	-	-	2,033	1,736
Intergovernmental	3,730	3,487	-	-	3,730	3,487
Water	-	-	13,163	12,162	13,163	12,162
Sewer	-	-	17,817	15,363	17,817	15,363
<b>Total expenses</b>	<u>276,159</u>	<u>275,380</u>	<u>30,980</u>	<u>27,525</u>	<u>307,139</u>	<u>302,905</u>
Increase in net assets before transfers	(13,800)	(16,014)	10,629	11,427	(3,171)	(4,587)
Transfers	<u>2,604</u>	<u>2,520</u>	<u>(2,604)</u>	<u>(2,520)</u>	-	-
Change in net assets	<u>(11,196)</u>	<u>(13,494)</u>	<u>8,025</u>	<u>8,907</u>	<u>(3,171)</u>	<u>(4,587)</u>
Net assets - beginning of year	<u>132,677</u>	<u>146,171</u>	<u>69,386</u>	<u>60,479</u>	<u>202,063</u>	<u>206,650</u>
Net assets - end of year	<u>\$ 121,481</u>	<u>\$ 132,677</u>	<u>\$ 77,411</u>	<u>\$ 69,386</u>	<u>\$ 198,892</u>	<u>\$ 202,063</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 198,892, a change of \$ (3,171) from the prior year.

The largest portion of net assets, \$ 175,445 reflects our investment in capital assets (e.g., land, construction in progress, buildings and improvements, vehicles, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in 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 net assets, \$ 11,600 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$ 11,847 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net assets of \$ (11,196). Key elements of this change are as follows:

Excess of revenues over(under) expenditures:	
General fund	\$ (1,530)
Special revenue funds	2,531
General fund transfers from enterprise funds, net	<u>2,604</u>
Subtotal	3,605
Capital assets acquired with current year revenues	3,972
Depreciation in excess of debt service principal paydown	(3,161)
MSBA collections recognized in prior periods	(2,511)
Increase in deferred revenue	935
Increase in net OPEB obligation	(14,163)
Other	<u>127</u>
Total	<u>\$ (11,196)</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net assets of \$ 8,025. Key elements of this change are as follows:

Water operations	\$ 822
Sewer operations	<u>7,203</u> <sup>1</sup>
Total	<u>\$ 8,025</u>

<sup>1</sup> During fiscal year 2011, the Sewer fund received \$ 8,749 in ARRA and other grants.

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

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 25,048, a change of \$ 12,967 in comparison to the prior year.

In fiscal year 2011, the Town implemented *Governmental Accounting Standards Board Statement #54 Fund Balance Reporting and Governmental Fund Type Definitions*. In general, amounts previously reported as undesignated fund

balance, are now reported as unassigned fund balance. Full definitions of all fund balance classifications can be found in the notes to the financial statements. Additionally, amounts previously reported in stabilization and conservation funds, are now required to be presented as committed fund balance in the general fund.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 3,261, while total fund balance was \$ 13,728. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 3,261	\$ 3,166	\$ 95	1.5%
Total fund balance <sup>1</sup>	13,728	12,472	1,256	6.1%

<sup>1</sup> Now includes stabilization and conservation funds. Prior period balances have been revised to conform to current presentation.

The total fund balance of the general fund changed by \$ 1,256 during the current fiscal year. Key factors in this change are as follows:

<u>General Fund Highlights</u>	<u>General Fund Components</u>				
	<u>Operating</u>	<u>General Stabilization</u>	<u>Open Space Stabilization</u>	<u>Conservation</u>	<u>General Fund</u>
Use of other funding sources, net of transfers to stabilization	\$ (1,606)	\$ 1,461	\$ -	\$ -	\$ (145)
Revenues in excess of budget	41	-	-	-	41
Expenditures less than budget	692	-	-	-	692
Current year encumbrances in excess of expenditures of prior year encumbrances	362	-	-	-	362
Teacher's deferral	199	-	-	-	199
Other	114	(16)	7	2	107
Total	\$ (198)	\$ 1,445	\$ 7	\$ 2	\$ 1,256

Included in the total general fund balance are the Town's stabilization and conservation accounts with the following balances:

	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>
General stabilization	\$ 7,284	\$ 5,840	\$ 1,444
Open space stabilization	343	335	8
Conservation	62	60	2
Total	\$ 7,689	\$ 6,235	\$ 1,454

**Proprietary funds.** 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 \$ 29,747. 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 \$ 74, due to a change in General Government of \$ (702), Public Safety of \$ 367, Education of \$ 22, Public Works of \$ 419, Culture and Recreation of \$ 35, and Employee Benefits of \$ (67). The additional appropriations were funded by transfers from other funds.

**F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end, amounted to \$ 336,183 (net of accumulated depreciation), a change of \$ 37,444 from the prior year. This investment in capital assets includes land, construction in progress, buildings and improvements, vehicles, machinery, equipment, and infrastructure.

The following is a summary of capital assets for the current year and prior fiscal year:

CAPITAL ASSETS  
(net of depreciation)  
June 30, 2011 and 2010

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 18,521	\$ 18,521	\$ 1,108	\$ 1,108	\$ 19,629	\$ 19,629
Buildings and improvements	129,206	122,238	17,783	14,775	146,989	137,013
Vehicles, machinery, and equipment	12,765	11,625	4,079	3,665	16,844	15,290
Infrastructure	27,763	25,930	97,990	63,016	125,753	88,946
Construction in progress	175	6,855	26,793	31,006	26,968	37,861
Total	<u>\$ 188,430</u>	<u>\$ 185,169</u>	<u>\$ 147,753</u>	<u>\$ 113,570</u>	<u>\$ 336,183</u>	<u>\$ 298,739</u>

Significant capital asset activity for fiscal year 2011 included:

- The Booster Station Replacement at William J. Heights authorized for \$ 765 was 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 \$ 1,554 has been expended thus far. Sewer Improvements at Concord and School Street, appropriated for \$ 5,557, has \$ 695 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 \$ 2,701 has been expended. The Automated Meter Reading program for a combined \$ 2,565 started during the summer 2008 construction season and \$ 2,444 has been expended and is substantially complete.
- At the 2005 Annual Town Meeting, the Town appropriated \$ 450 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 near the Loring Arena. The Athletic Complex project was completed by the Grand Opening October 9-11, 2010. \$ 8,299 was encumbered and expended.
- At the 2008 Annual Town Meeting, the Town authorized over \$ 21,000 in Water Capital Projects and \$ 9,000 in Sewer Capital Projects. \$ 265 was expended on Grove Street Water Pump Station appropriated for \$ 2,932. \$ 8,075 has been expended on the Water Street Water Main Construction for \$ 8,522. \$ 1,433 and \$ 1,603 has been expended on the Prospect Street area Water and Sewer Main Replacement appropriated for \$ 3,000 and \$ 2,783 respectively. Work on the \$ 1,100 Farm Pond Interceptor Sewer Rehabilitation Project has expended \$ 936 to date and the Sewer lining is complete. \$ 1,664 has been expended on the \$ 1,754 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. The Town has been working with the United States Geological Survey (USGS) to refine a sophisticated ground-water model. Since 2004, the Town had previously appropriated \$ 5,130 and expended \$ 6,216 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. This project has been approved

for \$ 38,066 in loans from Clean Water State Revolving Fund loan program. Construction is to be completed over three phases with an estimated completion during the spring of 2012. \$ 19,576 has been expended to date on Phase I.

- The Town received authorization of \$ 12,900 in grant funds from Massachusetts Life Science Center for improvements to Water and Sewer infrastructure and the Pleasant Street Pump Station in the Technology Park area. \$ 8,554 has been expended on these projects.
- At the 2010 Annual Town Meeting, \$ 17,967 was voted for additional Water Capital Projects. \$ 870 has been expended from the \$ 9,619 appropriated for North Concord Street Water Mains. \$ 41 has been expended from the \$ 6,263 appropriation for Grant and Pond Street project. The Goodnow Pump Station authorized for \$ 1,385 has not started. In addition, \$ 7,402 was appropriated for Sewer Projects of which \$ 6,552 was for Sewer Lines in the Grant and Pond Street Area. \$ 1,455 has been expended on this project. At the 2011 Annual Town Meeting, \$1,700 was authorized for Roadway Improvements, \$ 2,680 and \$ 1,765 for Downtown Water and Sewer Utilities respectively; as well as \$ 6,310 for the North Framingham and \$ 925 Worcester Road Pump Stations.

Additional information on capital assets can be found in the Notes to Financial Statements.

**Long-term debt.** At the end of the current fiscal year, total bonded debt and bond anticipation notes outstanding was \$ 188,470, 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:

OUTSTANDING DEBT  
General Obligation Bonds and Bond Anticipation Notes  
June 30, 2011 and 2010

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 59,957	\$ 48,889	\$ 67,442	\$ 33,239	\$ 127,399	\$ 82,128
Bond anticipation notes	<u>2,522</u>	<u>11,390</u>	<u>58,549</u>	<u>79,763</u>	<u>61,071</u>	<u>91,153</u>
Total	<u>\$ 62,479</u>	<u>\$ 60,279</u>	<u>\$ 125,991</u>	<u>\$ 113,002</u>	<u>\$ 188,470</u>	<u>\$ 173,281</u>

**Change in credit rating.** The Town of Framingham maintains an “Aa2” 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 is \$ 422,891, which is significantly in excess of outstanding general obligation debt.

Additional information on long-term debt can be found in the Notes to Financial Statements.

## **G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The unadjusted unemployment rate for the Town of Framingham is currently 6.0% (June), which is down from the 6.7% rate from June 2010. This compares to the State's unemployment rate of 7.6% and the national rate of 9.2%.
- 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 2012 fiscal year.
- During the current fiscal year, unassigned fund balance in the general fund increased to \$ 3,261. In addition, the Town of Framingham has appropriated \$ 1,820 of "free cash" to finance the FY12 general fund operating budget.
- In FY11 the Town transferred a net \$ 1,262 into the Stabilization fund as well as appropriating a net transfer of \$ 1,420 for FY12.
- The \$ 3,318 of "free cash" certified by the Massachusetts Department of Revenue as of July 1, 2011 is available, subject to appropriation, to finance FY12 and FY13 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, 2011

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 37,640,989	\$ 18,459,923	\$ 56,100,912
Investments	13,756,302	-	13,756,302
Receivables, net of allowance for uncollectibles:			
Property taxes	2,280,997	-	2,280,997
Motor vehicle excise	983,671	-	983,671
User fees	401,257	11,449,646	11,850,903
Departmental and other	89,497	-	89,497
Intergovernmental	7,468,724	33,435,257	40,903,981
Assessments	-	104,382	104,382
Other assets	160,328	22,910	183,238
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Tax title	1,522,220	-	1,522,220
Departmental and other	428,418	-	428,418
Intergovernmental	17,358,640	1,327,550	18,686,190
Assessments	-	1,097,616	1,097,616
Other assets	681,496	45,819	727,315
Land and construction in progress	18,696,258	27,901,374	46,597,632
Other capital assets, net of accumulated depreciation	<u>169,733,803</u>	<u>119,851,409</u>	<u>289,585,212</u>
<b>TOTAL ASSETS</b>	<b>271,202,600</b>	<b>213,695,886</b>	<b>484,898,486</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	4,180,257	4,713,249	8,893,506
Accounts payable	233,969	140,708	374,677
Retainage payable	-	1,043,411	1,043,411
Accrued liabilities	18,234,799	742,664	18,977,463
Tax refunds payable	5,763,869	-	5,763,869
Notes payable	2,521,600	58,549,044	61,070,644
Other liabilities	173,920	-	173,920
Current portion of long-term liabilities:			
Bonds payable	8,285,287	5,068,443	13,353,730
Compensated absences	2,076,430	104,264	2,180,694
Other liabilities	-	83,488	83,488
Noncurrent:			
Bonds payable	51,671,363	62,373,709	114,045,072
Net OPEB obligation	55,729,398	2,214,781	57,944,179
Compensated absences	850,347	8,057	858,404
Other liabilities	<u>-</u>	<u>1,243,454</u>	<u>1,243,454</u>
<b>TOTAL LIABILITIES</b>	<b>149,721,239</b>	<b>136,285,272</b>	<b>286,006,511</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	127,780,944	47,664,322	175,445,266
Restricted for:			
Grants and other statutory restrictions	9,148,834	-	9,148,834
Permanent funds:			
Nonexpendable	464,790	-	464,790
Expendable	1,986,272	-	1,986,272
Unrestricted	<u>(17,899,479)</u>	<u>29,746,292</u>	<u>11,846,813</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>121,481,361</u></b>	<b>\$ <u>77,410,614</u></b>	<b>\$ <u>198,891,975</u></b>

See notes to financial statements.



TOWN OF FRAMINGHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General government	\$ 9,996,758	\$ 1,961,658	\$ 42,545	\$ 1,864,368	\$ (6,128,187)	\$ -	\$ (6,128,187)
Public safety	31,354,823	5,941,523	882,369	-	(24,530,931)	-	(24,530,931)
Education	146,136,875	5,806,975	53,338,229	-	(86,991,671)	-	(86,991,671)
Public works	14,669,013	476,071	409,580	1,579,084	(12,204,278)	-	(12,204,278)
Health and human services	1,507,420	108,727	298,789	-	(1,099,904)	-	(1,099,904)
Culture and recreation	6,958,809	917,949	185,510	248,000	(5,607,350)	-	(5,607,350)
Employee benefits	59,771,830	11,569,253	-	-	(48,202,577)	-	(48,202,577)
Interest	2,032,795	-	-	-	(2,032,795)	-	(2,032,795)
Intergovernmental	3,730,333	-	-	-	(3,730,333)	-	(3,730,333)
Total Governmental Activities	276,158,656	26,782,156	55,157,022	3,691,452	(190,528,026)	-	(190,528,026)
<b>Business-Type Activities:</b>							
Water services	13,162,937	15,240,752	-	-	-	2,077,815	2,077,815
Sewer services	17,816,900	17,455,807	-	8,749,014	-	8,387,921	8,387,921
Total Business-type Activities	30,979,837	32,696,559	-	8,749,014	-	10,465,736	10,465,736
Total Primary Government	\$ <u>307,138,493</u>	\$ <u>59,478,715</u>	\$ <u>55,157,022</u>	\$ <u>12,440,466</u>	(190,528,026)	10,465,736	(180,062,290)
<b>General Revenues and transfers:</b>							
Property taxes					155,535,885	-	155,535,885
Excises					6,168,667	-	6,168,667
Penalties, interest and other taxes					4,013,274	-	4,013,274
Grants and contributions not restricted to specific programs					8,800,882	-	8,800,882
Investment income					811,951	5,311	817,262
Miscellaneous					1,397,770	157,571	1,555,341
Transfers, net					2,603,900	(2,603,900)	-
Total general revenues and transfers					179,332,329	(2,441,018)	176,891,311
Change in Net Assets					(11,195,697)	8,024,718	(3,170,979)
<b>Net Assets:</b>							
Beginning of Year					132,677,058	69,385,896	202,062,954
End of Year					\$ <u>121,481,361</u>	\$ <u>77,410,614</u>	\$ <u>198,891,975</u>

See notes to financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 19,317,962	\$ 11,415,154	\$ 30,733,116
Investments	12,324,937	1,431,365	13,756,302
Receivables:			
Property taxes	5,165,010	-	5,165,010
Motor vehicle excise	2,279,435	-	2,279,435
User fees	-	401,257	401,257
Departmental and other	20,641	453,556	474,197
Intergovernmental	36,725	4,921,004	4,957,729
Other assets	<u>38,830</u>	<u>-</u>	<u>38,830</u>
TOTAL ASSETS	<u>\$ 39,183,540</u>	<u>\$ 18,622,336</u>	<u>\$ 57,805,876</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Warrants payable	\$ 2,378,224	\$ 1,745,327	\$ 4,123,551
Accounts payable	-	233,969	233,969
Accrued liabilities	10,119,317	905,163	11,024,480
Tax refunds payable	5,763,869	-	5,763,869
Deferred revenues	7,049,301	1,867,162	8,916,463
Notes payable	-	2,521,600	2,521,600
Other liabilities	<u>144,668</u>	<u>29,252</u>	<u>173,920</u>
TOTAL LIABILITIES	25,455,379	7,302,473	32,757,852
Fund Balances:			
Nonspendable	56,910	464,790	521,700
Restricted	70,027	13,403,484	13,473,511
Committed	7,689,052	32,909	7,721,961
Assigned	2,651,329	-	2,651,329
Unassigned	<u>3,260,843</u>	<u>(2,581,320)</u>	<u>679,523</u>
TOTAL FUND BALANCES	<u>13,728,161</u>	<u>11,319,863</u>	<u>25,048,024</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 39,183,540</u>	<u>\$ 18,622,336</u>	<u>\$ 57,805,876</u>

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

JUNE 30, 2011

<b>Total governmental fund balances</b>	\$	25,048,024
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		188,430,061
• Noncurrent assets, including MSBA reimbursements for contracted assistance, are not receivable in the current period and, therefore, are not reported in the governmental funds.		19,869,635
• 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.		802,994
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.		6,258,906
• 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.		189,528
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.		(504,962)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable		(59,956,650)
Net OPEB obligation		(55,729,398)
Compensated absences liability		<u>(2,926,777)</u>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u><u>121,481,361</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, 2011

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 155,068,444	\$ -	\$ 155,068,444
Excises	6,187,030	-	6,187,030
Penalties, interest and other taxes	4,013,274	-	4,013,274
Charges for services	2,237,256	10,452,661	12,689,917
Intergovernmental	53,100,409	16,088,488	69,188,897
Licenses and permits	1,974,226	41,150	2,015,376
Fines and forfeitures	476,903	15,808	492,711
Investment income	330,773	379,887	710,660
Contributions	-	587,351	587,351
Miscellaneous	1,095,995	301,775	1,397,770
Total Revenues	<u>224,484,310</u>	<u>27,867,120</u>	<u>252,351,430</u>
<b>Expenditures:</b>			
Current:			
General government	6,960,876	2,249,757	9,210,633
Public safety	23,315,859	4,378,344	27,694,203
Education	116,764,505	15,628,945	132,393,450
Public works	12,231,634	1,518,892	13,750,526
Human services	1,177,391	116,282	1,293,673
Culture and recreation	5,195,095	701,135	5,896,230
Employee benefits	47,859,343	-	47,859,343
Debt service	8,778,853	-	8,778,853
Intergovernmental	3,730,333	-	3,730,333
Capital outlay	-	9,146,561	9,146,561
Total Expenditures	<u>226,013,889</u>	<u>33,739,916</u>	<u>259,753,805</u>
Excess (Deficiency) of revenues over expenditures	(1,529,579)	(5,872,796)	(7,402,375)
<b>Other Financing Sources (Uses):</b>			
Issuance of debt	-	17,765,000	17,765,000
Transfers in	2,785,320	-	2,785,320
Transfers out	-	(181,420)	(181,420)
Total Other Financing Sources (Uses)	<u>2,785,320</u>	<u>17,583,580</u>	<u>20,368,900</u>
Change in fund balance	1,255,741	11,710,784	12,966,525
Fund Balance, at Beginning of Year, as reclassified	<u>12,472,420</u>	<u>(390,921)</u>	<u>12,081,499</u>
Fund Balance, at End of Year	<u>\$ 13,728,161</u>	<u>\$ 11,319,863</u>	<u>\$ 25,048,024</u>

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, 2011

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 12,966,525</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: </li> </ul>	
Capital outlay purchases, net of disposals	13,118,790
Depreciation	(9,857,681)
<ul style="list-style-type: none"> <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. </li> </ul>	
	848,081
<ul style="list-style-type: none"> <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. </li> </ul>	
	(2,510,995)
<ul style="list-style-type: none"> <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: </li> </ul>	
Issuance of debt	(17,765,000)
Repayments of debt	6,696,797
Deferred debt amortization	(121,498)
<ul style="list-style-type: none"> <li>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. </li> </ul>	
	49,260
<ul style="list-style-type: none"> <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: </li> </ul>	
Increase in liability for compensated absences	(215,134)
Increase in net OPEB obligation	(14,162,899)
<ul style="list-style-type: none"> <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. </li> </ul>	
	<u>(241,943)</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>(11,195,697)</u></b>

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues and Other Sources:</b>				
Property taxes	\$ 156,335,313	\$ 156,335,313	\$ 156,335,313	\$ -
Excise	5,867,700	5,867,700	6,187,030	319,330
Penalties, interest and other taxes	4,192,920	4,192,920	4,013,274	(179,646)
Charges for services	2,268,173	2,268,173	2,237,256	(30,917)
Intergovernmental	33,421,470	33,421,470	33,314,711	(106,759)
Licenses and permits	2,723,000	2,723,000	1,974,226	(748,774)
Fines and forfeitures	566,775	566,775	476,903	(89,872)
Investment income	303,234	303,234	139,034	(164,200)
Miscellaneous	131,149	131,149	1,175,345	1,044,196
Transfers in	2,851,855	2,925,474	2,923,539	(1,935)
Other sources	1,606,328	1,606,328	1,606,328	-
<b>Total Revenues and Other Sources</b>	<b>210,267,917</b>	<b>210,341,536</b>	<b>210,382,959</b>	<b>41,423</b>
<b>Expenditures and Other Uses:</b>				
General government	8,437,543	7,735,365	7,056,226	679,139
Public safety	24,180,109	24,546,736	23,361,385	1,185,351
Education	97,170,060	97,192,060	97,191,786	274
Public works	9,342,548	9,411,200	9,122,448	288,752
Snow and ice	900,000	1,250,000	3,269,745	(2,019,745)
Human services	1,265,207	1,265,207	1,191,407	73,800
Culture and recreation	5,226,982	5,262,500	5,232,357	30,143
Employee benefits	48,236,347	48,169,347	47,964,087	205,260
Debt service	8,756,403	8,756,403	8,723,921	32,482
Intergovernmental	3,946,751	3,946,751	3,730,333	216,418
Transfers out	1,461,086	1,461,086	1,461,086	-
Other uses	1,344,881	1,344,881	1,344,881	-
<b>Total Expenditures and Other Uses</b>	<b>210,267,917</b>	<b>210,341,536</b>	<b>209,649,662</b>	<b>691,874</b>
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 733,297	\$ 733,297

## TOWN OF FRAMINGHAM, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF NET ASSETS

JUNE 30, 2011

	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	\$ 14,837,962	\$ 3,621,961	\$ 18,459,923	\$ 6,907,873
User fees, net of allowance for uncollectibles	5,370,227	6,079,419	11,449,646	-
Intergovernmental	-	33,435,257	33,435,257	-
Assessments	104,382	-	104,382	-
Other assets	22,910	-	22,910	43,718
Total current assets	20,335,481	43,136,637	63,472,118	6,951,591
Noncurrent:				
Intergovernmental	-	1,327,550	1,327,550	-
Assessments	1,097,616	-	1,097,616	-
Other assets	45,819	-	45,819	-
Land and construction in progress	8,302,428	19,598,946	27,901,374	-
Other capital assets, net of accumulated depreciation	53,126,275	66,725,134	119,851,409	-
Total noncurrent assets	62,572,138	87,651,630	150,223,768	-
<b>TOTAL ASSETS</b>	82,907,619	130,788,267	213,695,886	6,951,591
<b><u>LIABILITIES</u></b>				
Current:				
Warrants payable	1,299,170	3,414,079	4,713,249	56,706
Accounts payable	72,807	67,901	140,708	-
Retainage payable	-	1,043,411	1,043,411	-
Accrued liabilities	184,131	558,533	742,664	6,705,357
Notes payable	20,153,900	38,395,144	58,549,044	-
Current portion of long-term liabilities:				
Bonds payable	2,181,054	2,887,389	5,068,443	-
Compensated absences	70,963	33,301	104,264	-
Other liabilities	39,264	44,224	83,488	-
Total current liabilities	24,001,289	46,443,982	70,445,271	6,762,063
Noncurrent:				
Bonds payable	20,797,258	41,576,451	62,373,709	-
Net OPEB obligation	1,211,239	1,003,542	2,214,781	-
Compensated absences	4,387	3,670	8,057	-
Other liabilities	706,747	536,707	1,243,454	-
Total noncurrent liabilities	22,719,631	43,120,370	65,840,001	-
<b>TOTAL LIABILITIES</b>	46,720,920	89,564,352	136,285,272	6,762,063
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	25,688,139	21,976,183	47,664,322	-
Unrestricted	10,498,560	19,247,732	29,746,292	189,528
<b>TOTAL NET ASSETS</b>	\$ 36,186,699	\$ 41,223,915	\$ 77,410,614	\$ 189,528

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, 2011

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
<b>Operating Revenues:</b>				
Charges for services	\$ 15,127,981	\$ 17,347,370	\$ 32,475,351	\$ 45,518,214
Other	<u>112,771</u>	<u>108,437</u>	<u>221,208</u>	<u>-</u>
Total Operating Revenues	15,240,752	17,455,807	32,696,559	45,518,214
<b>Operating Expenses:</b>				
Salaries and wages	2,936,038	2,868,918	5,804,956	-
Operating expenses	1,487,355	1,732,507	3,219,862	45,861,448
Depreciation	1,536,607	2,159,123	3,695,730	-
Intergovernmental	6,469,087	9,983,704	16,452,791	-
Other	<u>22,909</u>	<u>-</u>	<u>22,909</u>	<u>-</u>
Total Operating Expenses	<u>12,451,996</u>	<u>16,744,252</u>	<u>29,196,248</u>	<u>45,861,448</u>
Operating Income (Loss)	2,788,756	711,555	3,500,311	(343,234)
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	5,311	-	5,311	101,291
Interest expense	(710,941)	(1,072,648)	(1,783,589)	-
Other nonoperating income	<u>69,224</u>	<u>88,347</u>	<u>157,571</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>(636,406)</u>	<u>(984,301)</u>	<u>(1,620,707)</u>	<u>101,291</u>
Income (Loss) Before Capital Contributions and Transfers	2,152,350	(272,746)	1,879,604	(241,943)
Capital contributions	-	8,749,014	8,749,014	-
Transfers out	<u>(1,330,872)</u>	<u>(1,273,028)</u>	<u>(2,603,900)</u>	<u>-</u>
Change in Net Assets	821,478	7,203,240	8,024,718	(241,943)
Net Assets at Beginning of Year	<u>35,365,221</u>	<u>34,020,675</u>	<u>69,385,896</u>	<u>431,471</u>
Net Assets at End of Year	<u>\$ 36,186,699</u>	<u>\$ 41,223,915</u>	<u>\$ 77,410,614</u>	<u>\$ 189,528</u>

See notes to financial statements.



TOWN OF FRAMINGHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
<b><u>Cash Flows From Operating Activities:</u></b>				
Receipts from customers and users	\$ 16,050,407	\$ 17,270,365	\$ 33,320,772	\$ 45,500,156
Payments to vendors	(7,984,685)	(11,340,036)	(19,324,721)	(44,403,788)
Payments to employees	<u>(2,574,347)</u>	<u>(2,537,414)</u>	<u>(5,111,761)</u>	-
Net Cash Provided By Operating Activities	5,491,375	3,392,915	8,884,290	1,096,368
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>				
Transfer out	(1,330,872)	(1,273,028)	(2,603,900)	-
Other nonoperating income	<u>815,235</u>	<u>604,447</u>	<u>1,419,682</u>	-
Net Cash (Used For) Noncapital Financing Activities	(515,637)	(668,581)	(1,184,218)	-
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>				
Proceeds from issuance of bonds and notes	28,214,900	56,587,328	84,802,228	-
Acquisition and construction of capital assets	(9,393,422)	(28,484,686)	(37,878,108)	-
Principal payments on bonds and notes	(19,341,359)	(38,059,110)	(57,400,469)	-
Interest expense	(693,229)	(825,744)	(1,518,973)	-
Capital contributions	-	<u>10,980,335</u>	<u>10,980,335</u>	-
Net Cash Provided By (Used For) Capital and Related Financing Activities	(1,213,110)	198,123	(1,014,987)	-
<b><u>Cash Flows From Investing Activities:</u></b>				
Investment income	<u>5,311</u>	-	<u>5,311</u>	<u>101,291</u>
Net Change in Cash and Short-Term Investments	3,767,939	2,922,457	6,690,396	1,197,659
Cash and Short-Term Investments, Beginning of Year, as reclassified	<u>11,070,023</u>	<u>699,504</u>	<u>11,769,527</u>	<u>5,710,214</u>
Cash and Short-Term Investments, End of Year	<u>\$ 14,837,962</u>	<u>\$ 3,621,961</u>	<u>\$ 18,459,923</u>	<u>\$ 6,907,873</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u></b>				
Operating income (loss)	\$ 2,788,756	\$ 711,555	\$ 3,500,311	\$ (343,234)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,536,607	2,159,123	3,695,730	-
Changes in assets and liabilities:				
User fees	622,117	(185,442)	436,675	-
Assessments	187,538	-	187,538	-
Other assets	22,909	-	22,909	(18,058)
Warrants payable	(24,803)	(464,267)	(489,070)	53,701
Accounts payable	(3,440)	1,121	(2,319)	-
Retainage payable	-	839,321	839,321	-
Accrued liabilities	21,157	29,933	51,090	1,403,959
Compensated absences	5,551	(18,297)	(12,746)	-
Net OPEB obligation	<u>334,983</u>	<u>319,868</u>	<u>654,851</u>	-
Net Cash Provided By Operating Activities	<u>\$ 5,491,375</u>	<u>\$ 3,392,915</u>	<u>\$ 8,884,290</u>	<u>\$ 1,096,368</u>

TOWN OF FRAMINGHAM, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2011

	Pension Trust Fund (as of <u>December 31, 2010</u> )	Agency Funds
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ 1,198,076	\$ 4,676,049
Investments	<u>194,334,325</u>	<u>-</u>
Total Assets	195,532,401	4,676,049
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Warrants payable	-	9,474
Accounts payable	6,922	-
Accrued liabilities	-	75
Deferred revenue	5,270,180	-
Other liabilities	<u>-</u>	<u>4,666,500</u>
Total Liabilities	<u>5,277,102</u>	<u>4,676,049</u>
Total Net Assets Held in Trust For Pension Benefits	<u>\$ 190,255,299</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, 2010

	Pension Trust Fund (as of <u>December 31, 2010</u> )
<b>Additions:</b>	
Contributions:	
Employers	\$ 10,380,179
Plan members	5,183,056
Reimbursements from federal grants	128,804
Reimbursements from Commonwealth of Massachusetts	391,427
Reimbursements from other systems	<u>420,663</u>
Total contributions	16,504,129
 Investment Income:	
Increase in fair value of investments	23,569,240
Less: management fees	<u>(837,121)</u>
Net investment income	<u>22,732,119</u>
Total additions	39,236,248
 <b>Deductions:</b>	
Benefit payments to plan members and beneficiaries	16,923,260
Reimbursements to other systems	568,214
Refunds and transfers of plan member accounts to other systems	820,762
Administrative expenses	<u>302,823</u>
Total deductions	<u>18,615,059</u>
Net increase	20,621,189
 <b>Net assets held in trust for pension benefits:</b>	
Beginning of Year	<u>169,634,110</u>
End of Year	<u><u>\$ 190,255,299</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.

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 is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants

and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

#### 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.

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 2½" 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 2011 tax levy reflected an excess capacity of \$ 58,357.

#### *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, equipment, and infrastructure 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 - 100
Vehicles	5 - 10
Machinery, equipment and furnishings	5 - 10
Computer equipment	5

#### I. Compensated Absences

It is the government's policy 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

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net assets”.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory, petty cash, or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Board of Selectmen).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions

imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

*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 to 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.

	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
<u>General Fund</u>		
Revenues/Expenditures (GAAP Basis)	\$ 224,484,310	\$ 226,013,889
Other financing sources/uses (GAAP Basis)	<u>2,785,320</u>	<u>-</u>
Subtotal (GAAP Basis)	227,269,630	226,013,889
Adjust tax revenue to accrual basis	166,770	-
Reverse expenditures of prior year carryforwards	-	(151,843)
Add end of year appropriation carryforwards to expenditures	-	513,917
To reverse the effect of non- budgeted State contributions for teachers retirement	(19,785,698)	(19,785,698)
To reverse non-budgeted activity	1,125,929	1,708,821
To reverse change in accrued interest	-	5,695
Teachers’ deferral	-	198,986
Recognize other sources and uses	<u>1,606,328</u>	<u>1,145,895</u>
Budgetary Basis	<u>\$ 210,382,959</u>	<u>\$ 209,649,662</u>

*D. Excess of Expenditures Over Appropriations*

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

Snow and ice \$ (2,019,745)

*E. Deficit Fund Equity*

The following funds had deficits as of June 30, 2011:

Capital project funds:

IP Phone & Security Syst School District	\$ (123,383)
ADA Multiple Bldg & Sch	(745)
Brick Wall Fuller MS	(649)
Barbieri Elementary	(550,000)
Stapleton Windows	(84,541)
Park St Drainage	(54,436)
Library Generator	(30,000)
Edgell Lib Academy Vill R	(1,742)
Main Library Renovations	(875)
Saxonville Levy Acre	(369,554)
McAdams Drainage Impr	(3,781)
Pearl Harbor Strmwtr	(80,929)
Carer Dr Outfall Rpr	(55,822)
Roadway Improv 2011	(160,175)
Sidewalk/Access Improv 2011	(80,667)
Wickford Rd Bridge Evaluation/Rehab	(6,394)
Memorial/Maynard Bldg Improv	(286,935)
Main Library Bld Imp	(31,739)
Library Garage Improvements	(11,486)
Web Content Mgt Syst	(91,924)
Network Infrastrucure Imp	(133,320)
Recycling Bins	(122)
Replace Engine 7 Pumper	(222,276)
Playground Equip/Handicap Acess Imprv Phs 2	(3,050)
Arena Light/Energy	(4,797)
Total Capital Project Funds	<u>\$ (2,389,342)</u>

(continued)

(continued)

Special revenue funds:	
West Metro HOME Consortium	\$ (34,229)
Dept of Energy	(12,803)
EPA Brownfields Grant	(36,678)
Mass Executive Office Public Safety	(100,529)
Chapter 90 Highway	(1,920)
LO-Resiliency for Life	(1,635)
BU Focus on Mathematics Grant	<u>(4,184)</u>
Total Special Revenue Funds	\$ <u><u>(191,978)</u></u>

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, 2011 and December 31, 2010, \$ 22,639,650 and \$ 981,961 of the Town's and System's bank balances of \$ 59,785,846 and \$ 1,597,454 respectively, was exposed to custodial credit risk as uninsured or uncollateralized.

Of the Town's balance exposed to custodial credit risk, \$ 14,652,196 is on deposit with Massachusetts Municipal Depository Trust.

Of the System's balance exposed to custodial credit risk, \$ 925,309 is on deposit with the Pension Reserve Investment Trust and \$ 56,652 is on deposit with Massachusetts Municipal Depository Trust.

## 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) is the actual rating as of year-end for each investment of the Town. (All federal agency securities have an implied credit rating of AAA):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
U.S. Treasury notes	\$ 497	\$ 497	\$ -	\$ -	\$ -
Corporate stocks	2,161	-	-	-	2,161
Corporate bonds	745	-	527	218	-
Certificate of deposit	3,931	-	-	-	3,931
Mutual funds	1,304	-	-	-	1,304
Federal agency securities	5,118	5,118	-	-	-
Total investments	<u>\$ 13,756</u>	<u>\$ 5,615</u>	<u>\$ 527</u>	<u>\$ 218</u>	<u>\$ 7,396</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, 2010, the Contributory Retirement System maintained its investments in the State Investment Pool\* with a fair value of \$ 194,334,325. 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 were exposed to custodial credit risk because the related securities are uninsured, unregistered, and/or 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 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 or 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 Home Loan Bank	\$ 1,026,148
Federal Home Loan Mortgage Corporation	1,224,742
Federal National Mortgage Association	2,866,743

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>	<u>&gt; 10</u>
Debt-related Securities:					
U.S. Treasury notes	\$ 497	\$ -	\$ 497	\$ -	\$ -
Corporate bonds	745	-	745	-	-
Certificate of deposit	3,931	1,771	2,160	-	-
Federal agency securities	<u>5,118</u>	<u>          </u>	<u>3,258</u>	<u>1,659</u>	<u>201</u>
Total	<u>\$ 10,291</u>	<u>\$ 1,771</u>	<u>\$ 6,660</u>	<u>\$ 1,659</u>	<u>\$ 201</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, 2011 consist of the following (in thousands):

Real Estate		
2011	\$ 2,153	
2010	14	
2009	-	
Prior	<u>7</u>	
		2,174
Personal Property		
2011	150	
2010	51	
2009	39	
Prior	<u>270</u>	
		510
Tax Liens		1,522
Deferred Taxes		385
Tax Foreclosures		<u>574</u>
Total		<u>\$ 5,165</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	\$ 1,362	\$ -
Excises	1,296	-
Utilities	-	193

## 7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2011, 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, 2011 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 177,869	\$ 12,451	\$ -	\$ 190,320
Vehicles, machinery, equipment and furnishings	34,691	4,304	-	38,995
Infrastructure	<u>42,502</u>	<u>3,044</u>	<u>-</u>	<u>45,546</u>
Total capital assets, being depreciated	255,062	19,799	-	274,861
Less accumulated depreciation for:				
Buildings and improvements	(55,631)	(5,483)	-	(61,114)
Vehicles, machinery, equipment and furnishings	(23,066)	(3,164)	-	(26,230)
Infrastructure	<u>(16,572)</u>	<u>(1,211)</u>	<u>-</u>	<u>(17,783)</u>
Total accumulated depreciation	<u>(95,269)</u>	<u>(9,858)</u>	<u>-</u>	<u>(105,127)</u>
Total capital assets, being depreciated, net	159,793	9,941	-	169,734
Capital assets, not being depreciated:				
Land	18,521	-	-	18,521
Construction in progress	<u>6,855</u>	<u>175</u>	<u>(6,855)</u>	<u>175</u>
Total capital assets, not being depreciated	<u>25,376</u>	<u>175</u>	<u>(6,855)</u>	<u>18,696</u>
Governmental activities capital assets, net	<u>\$ 185,169</u>	<u>\$ 10,116</u>	<u>\$ (6,855)</u>	<u>\$ 188,430</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 17,892	\$ 3,715	\$ -	\$ 21,607
Vehicles, machinery, equipment and furnishings	8,212	1,242	-	9,454
Infrastructure	<u>95,342</u>	<u>37,134</u>	<u>-</u>	<u>132,476</u>
Total capital assets, being depreciated	121,446	42,091	-	163,537
Less accumulated depreciation for:				
Buildings and improvements	(3,117)	(707)	-	(3,824)
Vehicles, machinery, equipment and furnishings	(4,547)	(828)	-	(5,375)
Infrastructure	<u>(32,326)</u>	<u>(2,160)</u>	<u>-</u>	<u>(34,486)</u>
Total accumulated depreciation	<u>(39,990)</u>	<u>(3,695)</u>	<u>-</u>	<u>(43,685)</u>
Total capital assets, being depreciated, net	81,456	38,396	-	119,852
Capital assets, not being depreciated:				
Land	1,108	-	-	1,108
Construction in progress	<u>31,006</u>	<u>16,134</u>	<u>(20,347)</u>	<u>26,793</u>
Total capital assets, not being depreciated	<u>32,114</u>	<u>16,134</u>	<u>(20,347)</u>	<u>27,901</u>
Business-Type activities capital assets, net	<u>\$ 113,570</u>	<u>\$ 54,530</u>	<u>\$ (20,347)</u>	<u>\$ 147,753</u>

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

Governmental Activities:	
General government	\$ 1,127
Public safety	1,278
Education	4,167
Public works	2,248
Health and human services	112
Culture and recreation	<u>926</u>
Total depreciation expense - governmental activities	<u>\$ 9,858</u>
Business-Type Activities:	
Water	\$ 1,536
Sewer	<u>2,159</u>
Total depreciation expense - business-type activities	<u>\$ 3,695</u>

**9. Warrants and Accounts Payable**

Warrants payable represent 2011 expenditures paid by July 15, 2011. Accounts payable represent additional 2011 expenditures paid after July 15, 2011.

**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, 2011 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, 2011:

	Interest Rate	Date of Issue	Date of Maturity	Balance at 6/30/11
State revolving loan	0.25%	01/15/10	12/31/11	\$ 25,152,743
State revolving loan	0.24%	04/01/11	12/31/12	500,000
State revolving loan	0.24%	04/01/11	12/31/12	1,724,924
State revolving loan	0.22%	06/01/11	12/31/12	525,000
Bond anticipation	3.00%	06/17/11	06/17/12	<u>33,167,977</u>
Total				<u>\$ 61,070,644</u>

The following summarizes activity in notes payable during fiscal year 2011:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
State revolving loan	\$ 1,856,829	\$ -	\$ (1,856,829)	\$ -
State revolving loan	38,066,137	-	(12,913,394)	25,152,743
State revolving loan	1,982,809	-	(1,982,809)	-
State revolving loan	1,936,665	-	(1,936,665)	-
State revolving loan	280,054	-	(280,054)	-
State revolving loan	6,085,386	-	(6,085,386)	-
Bond anticipation	40,944,773	-	(40,944,773)	-
State revolving loan	-	500,000	-	500,000
State revolving loan	-	1,724,924	-	1,724,924
State revolving loan	-	525,000	-	525,000
Bond anticipation	-	33,167,977	-	33,167,977
Total	<u>\$ 91,152,653</u>	<u>\$ 35,917,901</u>	<u>\$ (65,999,910)</u>	<u>\$ 61,070,644</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:

	Serial Maturities <u>Through</u>	Interest Rate(s)%	Amount Outstanding as of <u>6/30/11</u>
<u>Governmental Activities:</u>			
General obligation	03/25	3.79%	\$ 2,100,000
General obligation	03/24	3.79%	1,100,000
General obligation	03/12	3.83%	165,000
General obligation	08/14	4.00%	3,050,000
General obligation	03/24	3.79%	950,000
General obligation	02/19	4.34%	8,070,500
General obligation	03/13	3.00%	165,000
General obligation	11/23	0.00%	319,195
General obligation	03/20	5.51%	8,163,500
General obligation	03/24	3.00%	865,000
General obligation	03/15	3.00%	1,813,750
General obligation	06/26	4.08%	1,257,000
General obligation	11/27	3.84%	3,635,000
General obligation	07/27	2.00%	260,705
General obligation	06/24	3.00%	5,767,000
General obligation	06/30	3.00%	4,510,000
General obligation	07/30	2.00%	325,000
General obligation	06/31	3.63%	<u>17,440,000</u>
Total Governmental			<u>\$ 59,956,650</u>

	Serial Maturities <u>Through</u>	Interest Rate(s)%	Amount Outstanding as of <u>6/30/11</u>
<u>Business-Type Activities:</u>			
Water (MWRA)	03/13	3.00%	\$ 245,000
Sewer	03/25	3.79%	440,000
Water	03/12	3.83%	15,000
Sewer	03/12	3.83%	20,000
Water (MWRA)	05/12	0.00%	86,818
Sewer (MWRA)	06/15	2.54%	119,235
Water	03/24	3.00%	2,410,000
Sewer	03/12	3.00%	5,000
Sewer (MWPAT)	03/24	0.00%	223,910
Sewer	03/15	3.00%	176,907
Water	03/15	3.00%	239,344
Water	03/25	3.79%	1,140,000
Water (MWRA)	02/15	0.00%	579,600

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	Serial Maturities <u>Through</u>	Interest Rate(s)%	Amount Outstanding as of <u>6/30/11</u>
<u>Business-Type Activities:</u>			
Water (MWRA)	02/16	0.00%	999,550
Water	06/26	4.08%	1,888,000
Sewer	06/26	4.08%	930,000
Sewer	11/27	3.84%	2,575,000
Water	11/27	3.84%	415,000
Sewer	07/27	2.00%	8,027,538
Sewer (MWPAT)	07/28	2.00%	402,608
Sewer (MWPAT)	07/28	2.00%	1,962,016
Water	06/24	3.00%	148,000
Sewer	06/24	3.00%	10,000
Water	06/30	3.53%	6,751,000
Sewer	06/30	3.53%	639,000
Sewer (MWPAT)	07/30	2.00%	1,856,829
Sewer (MWPAT)	07/27	2.00%	89,208
Sewer (MWPAT)	07/27	2.00%	171,487
Sewer (MWPAT)	07/30	2.00%	280,054
Sewer (MWPAT)	07/30	2.00%	3,460,088
Sewer (MWPAT)	07/30	2.00%	5,372,143
Sewer (MWPAT)	07/30	2.00%	8,451,817
Sewer (MWPAT)	07/30	2.00%	450,000
Water	06/31	3.63%	8,061,000
Sewer	06/31	3.63%	<u>8,801,000</u>
Total Business-Type			<u>\$ 67,442,152</u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2011 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 8,285,287	\$ 1,996,028	\$ 10,281,315
2013	7,760,209	1,766,887	9,527,096
2014	7,021,809	1,537,545	8,559,354
2015	6,351,296	1,308,711	7,660,007
2016	4,677,550	1,115,462	5,793,012
2017-2021	16,982,637	3,354,207	20,336,844
2022-2026	7,132,585	1,055,945	8,188,530
2027-2031	<u>1,745,277</u>	<u>158,110</u>	<u>1,903,387</u>
Total	\$ <u>59,956,650</u>	\$ <u>12,292,895</u>	\$ <u>72,249,545</u>

The general fund has been designated as the source to repay the governmental-type general obligation debt outstanding as of June 30, 2011.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 5,068,443	\$ 1,907,492	\$ 6,975,935
2013	4,901,115	1,797,992	6,699,107
2014	4,797,489	1,682,804	6,480,293
2015	4,515,854	1,549,227	6,065,081
2016	3,613,679	1,427,813	5,041,492
2017-2021	16,510,515	5,533,980	22,044,495
2022-2026	16,012,237	3,002,892	19,015,129
2027-2031	<u>12,022,820</u>	<u>870,932</u>	<u>12,893,752</u>
Total	\$ <u>67,442,152</u>	\$ <u>17,773,132</u>	\$ <u>85,215,284</u>

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2011 are as follows:

<u>Purpose</u>	<u>Amount</u>
Concord School	\$ 4,199,528
Wastewater Pump	2,957,037
Grove St Water Pump Stn	1,369,836
Prospect St Wtr Main	1,100,000
N Concord St Wtr Design	600,000
Prospect St A Swr Replacement	1,008,906
Concord St Purchase	1,750,000
Birch Rd Well	38,337,900
East Fram Sewer Proj	1,840,963
Lakeview	1,600,000
Coburn St	650,000
Tech Park Water Improvements	4,600,000
Central St Siphon	1,914,614
IP Phones & Security Syst	550,000
Barbieri Elem School Improvements	550,000
N Concord St Wtr Main Replacement	7,242,735
Grant/Pond St Wtr Main	6,213,000
Goodnow Wtr Pump Station	1,385,000
Grant/Pond St Sewer Replacement	2,978,086
Stapleton Windows	588,438
McAulife Branch Library Land	710,000
Replace Ladder 3 Fire	975,000
Roadway Improvements	1,693,930
Downtown Water Utilities	2,680,000
Downtown Sewer Utilities	1,765,000
Technology Park Sewer	800,000
North Framingham Pump	6,310,000
Worcester Road Pump	1,925,000
Other (84 individual projects)	12,119,979
Total	\$ <u>110,414,952</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	\$ 1,965,302	3.58%	\$ 70,358
MWRA - Sewer	3,902,910	2.79%	108,891
MBTA and MWRTA	5,522,120	1.35%	<u>74,549</u>
			<u>\$ 253,798</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, 2011 (in thousands):

Equalized valuation - January 31, 2011		\$ <u>8,457,817</u>
Debt limit - 5% of equalized valuation		\$ 422,891
Total debt outstanding	127,399	
Less: debt exempt from limit	<u>(47,038)</u>	<u>80,361</u>
Legal Debt Margin		\$ <u>342,530</u> *

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

**F. Advance and Current Refundings**

**Prior Years**

In prior years, the Town has defeased various bond issues by creating separate irrevocable trust funds. The proceeds from the new issuances 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, February 1, 2019, and March 1, 2020. 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, 2011, 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, 2011, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/10	Additions	Reductions	Total Balance 6/30/11	Less Current Portion	Equals Long-Term Portion 6/30/11
<b>Governmental Activities</b>						
Bonds payable	\$ 48,889	\$ 17,765	\$ (6,697)	\$ 59,957	\$ (8,285)	\$ 51,672
Net OPEB obligation	41,566	14,163	-	55,729	-	55,729
Accrued employee benefits	2,712	423	(208)	2,927	(2,077)	850
Totals	\$ <u>93,167</u>	\$ <u>32,351</u>	\$ <u>(6,905)</u>	\$ <u>118,613</u>	\$ <u>(10,362)</u>	\$ <u>108,251</u>
<b>Business-Type Activities</b>						
Bonds payable	\$ 33,239	\$ 36,994	\$ (2,791)	\$ 67,442	\$ (5,069)	\$ 62,373
Net OPEB obligation	1,560	655	-	2,215	-	2,215
Accrued employee benefits	125	5	(18)	112	(104)	8
Other liabilities	65	1,346	(84)	1,327	(83)	1,244
Totals	\$ <u>34,989</u>	\$ <u>39,000</u>	\$ <u>(2,893)</u>	\$ <u>71,096</u>	\$ <u>(5,256)</u>	\$ <u>65,840</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. **Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

In fiscal year 2011, the Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2011:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures, petty cash, and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, stabilization funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2011:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable</b>			
Prepaid expenditures	\$ 56,360	\$ -	\$ 56,360
Petty cash	550	-	550
Nonexpendable permanent funds	-	464,790	464,790
	<u>\$ 56,910</u>	<u>\$ 464,790</u>	<u>\$ 521,700</u>
<b>Restricted</b>			
Debt service	\$ 70,027	\$ -	\$ 70,027
Bonded projects	-	2,264,537	2,264,537
Special revenue funds	-	9,152,675	9,152,675
Expendable permanent funds	-	1,986,272	1,986,272
	<u>\$ 70,027</u>	<u>\$ 13,403,484</u>	<u>\$ 13,473,511</u>

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	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Committed			
Stabilization funds	\$ 7,627,039	\$ -	\$ 7,627,039
Conservation	62,013		62,013
Capital project funds	-	32,909	32,909
	<u>\$ 7,689,052</u>	<u>\$ 32,909</u>	<u>\$ 7,721,961</u>
Assigned			
Encumbrances	\$ 731,329	\$ -	\$ 731,329
Reserved for expenditures	1,920,000	-	1,920,000
	<u>\$ 2,651,329</u>	<u>\$ -</u>	<u>\$ 2,651,329</u>
Unassigned	<u>\$ 3,260,843</u>	<u>\$ (2,581,320)</u>	<u>\$ 679,523</u>

## 16. General Fund Unassigned Fund Balance

The unassigned 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.

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 unassigned fund balance:

GAAP basis balance	\$ 3,260,843
Appropriation deficits(snow and ice)	(2,019,745)
Tax refund estimate	<u>4,906,263</u>
Statutory (UMAS) Balance	<u>\$ 6,147,361</u>

## 17. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues 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 Healthcare and Life Insurance Benefits

### Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, 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 Activities 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 healthcare 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, 2010, the actuarial valuation date, approximately 1,592 retirees and 1,951 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 2011 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, 2011, 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, 2010.

Annual Required Contribution (ARC)	\$ 25,300,181
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	25,300,181
Contributions made	(10,482,431)
Increase in net OPEB obligation	14,817,750
Net OPEB obligation - beginning of year	43,126,429
Net OPEB obligation - end of year	\$ 57,944,179

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

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 25,300,181	41.4%	\$ 57,944,179
2010	\$ 27,798,877	46.9%	\$ 43,126,429
2009	\$ 26,539,476	45.9%	\$ 28,365,978
2008	\$ 25,839,476	45.8%	\$ 14,007,989

*E. Funded Status and Funding Progress*

The funded status of the plan as of July 1, 2010, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 371,529,899
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 371,529,899</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 113,924,177</u>
UAAL as a percentage of covered payroll	<u>326%</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, 2010 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 an open 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, 2010:

Retirees and beneficiaries receiving benefits	789
Terminated plan members entitled to but not yet receiving benefits	251
Active plan members	<u>1,070</u>
Total	<u><u>2,110</u></u>
Number of participating employers	3

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>
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%
2010	\$ 9,869,454	100%
2011	\$ 10,127,177	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 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>
01/01/10	\$ 192,219	\$ 283,867	\$ 91,648	67.7%	\$ 53,311	172%

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 \$ 91.6 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, 2010, the unfunded actuarially accrued liability is being amortized over 19 years using a 4.00 % 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 unavailable.

In fiscal year 2011, the Commonwealth of Massachusetts contributed \$ 19,785,698 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, 2011 are as follows:

	<u>Health Coverage</u>
Claims liability, beginning of year, as restated	\$ 5,301,398
Claims incurred/recognized in fiscal year 2011	45,861,448
Claims paid in fiscal year 2011	<u>(44,457,489)</u>
Claims liability, end of year	<u>\$ 6,705,357</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 2011, as defined by GASB Statement 34 and with the implementation of GASB Statement 54, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/10 (as previously <u>reported</u> )	<u>Reclassification</u>	Fund Equity 6/30/10 (as restated)
General fund	\$ 6,237,235	\$ 6,235,185	\$ 12,472,420
Nonmajor funds	13,375,502	(13,766,423)	(390,921)
Municipal buildings fund	<u>(7,531,238)</u>	<u>7,531,238</u>	<u>-</u>
Total	\$ <u>12,081,499</u>	\$ <u>-</u>	\$ <u>12,081,499</u>

**SCHEDULE OF FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2011

(Unaudited)

(Amounts Expressed in thousands)

**Employees' Retirement System**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age 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%
01/01/10	\$ 192,219	\$ 283,867	\$ 91,648	67.7%	\$ 53,311	172%

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/08	\$ -	\$ 389,843	\$ 389,843	0.0%	\$ 97,125	401%
07/01/10	\$ -	\$ 371,530	\$ 371,530	0.0%	\$ 113,924	326%

See Independent Auditors' Report.