

**TOWN OF
FRAMINGHAM, MASSACHUSETTS**

Annual Financial Statements

For the Year Ended June 30, 2016

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	18
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	22
Proprietary Funds:	
Statement of Net Position	23
Statement of Revenues, Expenses, and Changes in Fund Net Position	24
Statement of Cash Flows	25
Fiduciary Funds:	
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position	27
Notes to Financial Statements	28

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of OPEB Funding Progress	69
Schedule of Proportionate Share of the Net Pension Liability	70
Schedule of Pension Contributions	71
Schedule of Changes in Net Pension Liability	72
Schedules of Net Pension Liability, Contributions, and Investment Returns	73

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Framingham, Massachusetts

Additional Offices:
Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

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, 2016 (except for the Framingham Contributory Retirement System which is as of and for the year ended December 31, 2015), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and

fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Framingham, as of June 30, 2016 (except for the Framingham Contributory Retirement System which is as of and for the year ended December 31, 2015), and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of OPEB Funding Progress, the Schedule of Proportionate Share of Net Pension Liability, the Schedule of Pension Contributions, the Schedule of Changes in Net Pension Liability, and the Schedules of Net Pension Liability, Contributions, and Investment Returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2017 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Melanson Heath

March 9, 2017

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, 2016.

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 Position presents information on all assets, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions 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. The Town converted from a self-insurance program to a premium-based program through GIC insurance for fiscal year 2015.

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 \$76,411,516 (i.e., net position), a change of \$(8,256,151) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$53,110,691, a change of \$17,324,900 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$32,987,264, a change of \$12,016,036 in comparison to the prior year, while committed fund balance was \$4,291,641, a change of \$(4,353,779) in comparison to the prior year.
- Total bonds payable at the close of the current fiscal year was \$208,821,336, a change of \$29,592,865 in comparison to the prior year. The Town also had \$16,219,372 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).

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 105,871	\$ 96,269	\$ 32,860	\$ 35,886	\$ 138,731	\$ 132,155
Deferred outflows of resources	14,432	791	297	9	14,729	800
Capital assets	<u>210,835</u>	<u>203,675</u>	<u>209,803</u>	<u>203,251</u>	<u>420,638</u>	<u>406,926</u>
Total assets and deferred outflows	331,138	300,735	242,960	239,146	574,098	539,881
Long-term liabilities outstanding	289,824	246,356	155,881	135,502	445,705	381,858
Notes payable	5,202	12,744	11,017	27,813	16,219	40,557
Deferred inflows of resources	298	279	227	252	525	531
Other liabilities	<u>32,181</u>	<u>28,761</u>	<u>3,056</u>	<u>3,506</u>	<u>35,237</u>	<u>32,267</u>
Total liabilities and deferred inflows	327,505	288,140	170,181	167,073	497,686	455,213
Net position:						
Net investment in capital assets	140,244	137,099	57,138	56,997	197,382	194,096
Restricted	13,247	12,966	-	-	13,247	12,966
Unrestricted	<u>(149,858)</u>	<u>(137,470)</u>	<u>15,641</u>	<u>15,076</u>	<u>(134,217)</u>	<u>(122,394)</u>
Total net position	<u>\$ 3,633</u>	<u>\$ 12,595</u>	<u>\$ 72,779</u>	<u>\$ 72,073</u>	<u>\$ 76,412</u>	<u>\$ 84,668</u>

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 22,681	\$ 18,246	\$ 46,421	\$ 42,654	\$ 69,102	\$ 60,900
Operating grants and contributions	77,245	64,589	-	-	77,245	64,589
Capital grants and contributions	2,419	5,231	24	892	2,443	6,123
General revenues:						
Property taxes	175,056	171,625	-	-	175,056	171,625
Excises	8,094	7,509	-	-	8,094	7,509
Penalties, interest and other taxes	5,019	4,579	-	-	5,019	4,579
Grants and contributions not restricted to specific programs	9,525	9,206	-	-	9,525	9,206
Investment income	1,095	589	37	8	1,132	597
Miscellaneous	3,857	2,314	532	457	4,389	2,771
Total revenues	<u>304,991</u>	<u>283,888</u>	<u>47,014</u>	<u>44,011</u>	<u>352,005</u>	<u>327,899</u>
Expenses:						
General government	18,650	11,767	-	-	18,650	11,767
Public safety	36,331	33,796	-	-	36,331	33,796
Education	172,180	157,198	-	-	172,180	157,198
Public works	18,081	21,165	-	-	18,081	21,165
Human services	1,946	2,122	-	-	1,946	2,122
Culture and recreation	8,575	7,762	-	-	8,575	7,762
Employee benefits	51,825	43,528	-	-	51,825	43,528
Interest	2,777	2,340	-	-	2,777	2,340
Intergovernmental	6,570	6,269	-	-	6,570	6,269
Water	-	-	17,676	16,607	17,676	16,607
Sewer	-	-	25,650	24,731	25,650	24,731
Total expenses	<u>316,935</u>	<u>285,947</u>	<u>43,326</u>	<u>41,338</u>	<u>360,261</u>	<u>327,285</u>
Change in net position before transfers	(11,944)	(2,059)	3,688	2,673	(8,256)	614
Transfers in (out)	<u>2,982</u>	<u>2,888</u>	<u>(2,982)</u>	<u>(2,888)</u>	<u>-</u>	<u>-</u>
Change in net position	(8,962)	829	706	(215)	(8,256)	614
Net position - beginning of year	<u>12,595</u>	<u>11,766</u>	<u>72,073</u>	<u>72,288</u>	<u>84,668</u>	<u>84,054</u>
Net position - end of year	<u>\$ 3,633</u>	<u>\$ 12,595</u>	<u>\$ 72,779</u>	<u>\$ 72,073</u>	<u>\$ 76,412</u>	<u>\$ 84,668</u>

As noted earlier, net position 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 position was \$76,411,516, a change of \$(8,256,151) from the prior year.

The largest portion of net position, \$197,381,905 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 are 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 position, \$13,247,277 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position deficit of \$(134,217,666) primarily results from the Town's unfunded net pension liability and net OPEB obligation.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(8,962,310). Key elements of this change are as follows (in thousands):

Excess of revenues over (under) expenditures:	
General fund	\$ (1,387)
Special revenue fund	3,380
Internal service fund	(14)
Capital project fund	2,507
General fund transfers from enterprise funds, net	<u>2,982</u>
Subtotal	7,468
Depreciation in excess of debt service principal paydown	(6,597)
Increase in net OPEB obligation	(10,316)
Increase in net pension liability	(13,908)
Increase in deferred outflows related to net pension liability	13,729
Other	<u>662</u>
Total	<u>\$ (8,962)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$706,159. Key elements of this change are as follows (in thousands):

Water operations	\$ 1,583
Sewer operations	<u>(877)</u>
Total	<u>\$ 706</u>

The increase in the net position for water operations primarily results from current year depreciation (not funded in the rates) being lower than long-term debt principal payments (funded in the rates). The reduction in the net position for sewer operations primarily results from current year depreciation (not funded in the rates) exceeding long-term debt principal payments (funded in the rates).

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 \$53,110,691, a change of \$17,324,900 in comparison to the prior year.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$32,987,264 (including \$14,147,341 of general stabilization funds), while total fund balance was \$46,794,650. 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 (in thousands).

<u>General Fund</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 32,987	\$ 20,971	\$ 12,016	13.1%
Total fund balance	\$ 46,795	\$ 36,457	\$ 10,338	18.5%

The total fund balance of the general fund changed by \$10,337,828 during the current fiscal year. Key factors in this change are as follows (in thousands):

Use of free cash	\$ (7,250)
Transfers to stablization funds	<u>1,200</u>
Subtotal	(6,050)
Revenues greater than budget	5,015
Expenditures less than budget	7,017
Tax collections compared to budget	2,493
Change in encumbrances	540
Stabilization income, net of transfers	636
Other	<u>687</u>
Total	<u>\$ 10,338</u>

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

	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>
General stabilization	\$ 14,147	\$ 13,585	\$ 562
Open space stabilization	145	140	5
Capital stabilization	3,706	2,443	1,263
Conservation	<u>77</u>	<u>71</u>	<u>6</u>
Total	<u>\$ 18,075</u>	<u>\$ 16,239</u>	<u>\$ 1,836</u>

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 position of the enterprise funds at the end of the year amounted to \$15,640,641, a change of \$564,481 from the prior year. 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 \$3,442,009, primarily due to a change in general government of \$2,481,129, education of \$537,250, and culture and recreation of \$345,417. The additional appropriations were funded by free cash and transfers from other funds.

Revenues in excess of budget mainly consist of Medicaid reimbursements, premium on sale of bonds, and transfers of insurance proceeds from the special revenue fund.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end, amounted to \$420,637,948 (net of accumulated depreciation), a change of \$13,711,739 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 (in thousands):

<u>CAPITAL ASSETS</u> (net of depreciation) June 30, 2016 and 2015						
	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 20,032	\$ 20,032	\$ 1,136	\$ 1,108	\$ 21,168	\$ 21,140
Buildings and improvements	117,801	117,819	32,874	30,808	150,675	148,627
Vehicles, machinery, and equipment	22,745	19,098	4,429	3,927	27,174	23,025
Infrastructure	44,737	41,993	159,451	155,944	204,188	197,937
Construction in progress	5,520	4,733	11,913	11,464	17,433	16,197
Total	<u>\$ 210,835</u>	<u>\$ 203,675</u>	<u>\$ 209,803</u>	<u>\$ 203,251</u>	<u>\$ 420,638</u>	<u>\$ 406,926</u>

Significant capital asset activity for fiscal year 2016 included (in thousands):

- Design for Wastewater Pumping Stations projects, appropriated for \$8,009, started in the fall of 2007 and \$7,907 has been expended.
- At the 2008 Annual Town Meeting, the Town authorized over \$21,000 in water capital projects and \$9,000 in sewer capital projects. \$2,545 has been expended on Grove Street water pump station appropriated for \$2,932 and is sustainably completed. The remaining funds will be used for the Elmfield Road and Hop Brook water main replacement. In addition, the Prospect Street area water and sewer main replacement projects, originally appropriated for \$3,000 and \$2,783, respectfully has been completed and fully expended.
- At the 2009 Annual Town Meeting, \$40,337 was an 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 groundwater model. The Town had previously appropriated \$5,530. In total, \$7,508 has been expended 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 for which \$34,814 has been issued which includes \$4,461 of ARRA funding. To date, \$40,386 has been expended on Phase I.
- At the 2010 Annual Town Meeting, \$17,967 was voted for additional water capital projects. Currently, \$4,732 has been expended from the \$9,619 appropriated for North Concord Street water mains project. Further, \$5,931 has been

expended from the \$6,263 appropriation for Grant and Pond Streets project. \$213 has been expended on the design of the Goodnow Pump Station authorized for \$1,385. In addition, \$7,402 was appropriated for sewer projects of which \$6,552 was for sewer lines in the Grant and Pond Street area. At year-end, \$4,227 has been expended on this project.

- At the 2011 Annual Town Meeting, \$2,680 and \$1,765 was authorized for the Downtown water and sewer utilities, and at year-end, \$2,363 and \$1,459 was expended, respectively. In addition, \$5,838 has been expended from the \$6,310 authorized for the North Framingham project and the Worcester Road pump stations appropriated for \$1,925 has had \$1,633 of expenditures.
- At the 2012 Annual Town Meeting, water and sewer improvements at the intersections of Irving, Loring, and Herbert Streets appropriated at \$1,795 and \$2,475, have been expended of \$1,632 and \$2,302, respectively. \$2,770 was expended from the \$3,214 appropriation for Beebe water storage tanks; and \$2,370 was expended on the \$2,400 appropriation for East Framingham sewer improvements and Central Street Siphon Sudbury River projects.
- At a Spring 2013 Special Town Meeting, the Town authorized \$7,988 for the construction of the Christa McAuliffe Branch Library. These funds are in addition to the \$710 for a land purchase approved in January. A grant of \$4,186 was received from the Massachusetts Board of Library Commissioners to fund a portion of the project. The land was purchased for \$709 and \$7,927 has been incurred on architectural and related expenses. The branch opened in February 2016.
- At the 2013 Annual Town Meeting, \$4,529 was appropriated for water capital and major equipment purchase of which \$2,990 was for the Warren Road and Prindiville water mains which has not started. \$25,630 was appropriated for sewer capital and major equipment purchases. Of the \$17,220 appropriated for the Worcester Road pump station elimination project, \$228 has been expended. Design costs of \$445 have been expended from the \$6,563 appropriation for the Baiting Road sewer improvements. \$972 has been expended on the \$1,240 appropriation for Bethany Road.
- At the 2014 Annual Town Meeting, \$14,867 was appropriated for a variety of Town capital and major equipment projects the largest being \$4,000 for roadway improvements of which is substantially complete. Of the \$1,000 appropriated for refuse collection bins and \$1,337 appropriated for automatic refuse packers to modernize the refuse collection operations, \$998 and \$1,131 has been expended, respectively. \$18,016 was appropriated for water capital and major equipment purchases. \$2,639 and \$466 has been expended on the design and initial construction of the \$3,325 appropriation for the Main Street area and \$12,145 for the Union Avenue area water mains. \$9,005 was appropriated for sewer capital and major equipment purchases including \$1,400 for the Waverly and Winthrop intersection realignment design and construction for which \$828 has been expended, \$1,880 appropriated for the Union Avenue sewer improvements for which \$224 was expended and \$1,585 appropriated for the Elmfield Road sewer improvements of which \$89 has been expended.

- At the 2015 Annual Town Meeting, \$19,523 was appropriated for a variety of Town capital and major equipment projects. \$173 has been expended of \$5,660 for renovations to the Loring Arena; however an additional appropriation of \$389 was requested at the October 2016 Special Town Meeting. \$3,950 was expended of the \$4,500 appropriated for Roadway Improvements. \$1,140 was expended of the \$1,155 appropriated for School Technology Upgrades. \$151 was expended from the \$1,207 appropriated for the Farley Building Repairs. \$10,291 was appropriated for water capital and major equipment purchases. The Evergreen Street area project for design and construction appropriated for \$3,160 has not started. \$12 was expended from the \$3,980 appropriated for water main construction in the Speen Street and Cochituate Road area. \$16,596 was appropriated for Sewer capital and major equipment purchases. The Interchange 12 Railway Sewer alignment design and construction project appropriated for \$9,810 has not started. \$33 has been expended from the \$1,100 appropriated for the design of the Shawmut Terrace and John McQuinn Pump Stations as well as Woodland Force main improvements. \$144 was expended from the \$1,245 appropriation for design of the Worcester Road area sewer improvements. The design and construction force main abandonment project for the Speen Street area appropriated for \$1,410 has not started.
- At the 2016 Annual Town Meeting, \$12,445 was appropriated for a variety of Town capital and major equipment projects the largest being \$1,204 for replacement of Arial Platform Ladder Truck, \$4,200 for Roadway Improvements, \$1,000 for School Technology Upgrades, and \$1,400 for the Paving, Storm Water and School Field Repairs. The Water and Sewer Enterprise funds were combined into a single Utility Enterprise Fund. \$16,521 was appropriated for Water and Sewer capital and major equipment purchase of which \$2,100 for Phase 1 of Sewer System Evaluation Survey Defects and Repairs and \$9,980 for Construction of Indian Head Water Tank Replacement.

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 \$225,040,708, all of which was backed by the full faith and credit of the government.

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

<u>OUTSTANDING DEBT</u>						
General Obligation Bonds and Bond Anticipation Notes						
June 30, 2016 and 2015						
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General obligation bonds	\$ 65,389	\$ 53,832	\$ 143,433	\$ 125,396	\$ 208,822	\$ 179,228
Bond anticipation notes	<u>5,202</u>	<u>12,744</u>	<u>11,017</u>	<u>27,813</u>	<u>16,219</u>	<u>40,557</u>
Total	<u>\$ 70,591</u>	<u>\$ 66,576</u>	<u>\$ 154,450</u>	<u>\$ 153,209</u>	<u>\$ 225,041</u>	<u>\$ 219,785</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 \$421,777,305, 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 (in thousands)

- The unadjusted unemployment rate for the Town of Framingham is currently 4.0% (June), which is down from the 3.5% rate from June 2015. This compares to the State's unemployment rate of 4.2% and the national rate of 4.9%
- 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 2017 fiscal year.
- During the current fiscal year, unassigned fund balance in the general fund increased to \$32,987. In addition, the Town of Framingham has appropriated \$5,515 of "free cash" to finance the FY17 general fund operating budget of which \$271 for Stabilization and \$991 to a Capital Stabilization fund.
- In FY16, the Town transferred \$200 into the Stabilization fund. The Stabilization fund is currently maintained at 5% of the Town's operating budget. The Capital Stabilization fund established in FY15 had a balance of \$3,706.
- The \$16,395 of free cash certified by the Massachusetts Department of Revenue as of July 1, 2016 is available, subject to appropriation, to finance FY17 and FY18 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 POSITION

JUNE 30, 2016

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 63,583,272	\$ 15,708,414	\$ 79,291,686
Investments	21,179,971	-	21,179,971
Receivables, net of allowance for uncollectibles:			
Property taxes	1,814,802	-	1,814,802
Motor vehicle excise	1,195,578	-	1,195,578
User fees	567,227	15,212,647	15,779,874
Departmental and other	254,220	-	254,220
Intergovernmental	9,300,850	250,804	9,551,654
Other assets	154,737	-	154,737
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Tax title	1,256,648	-	1,256,648
Departmental and other	998,169	-	998,169
Intergovernmental	5,566,313	982,767	6,549,080
Assessments	-	704,874	704,874
Land and construction in progress	25,552,644	13,048,961	38,601,605
Other capital assets, net of accumulated depreciation	185,281,933	196,754,410	382,036,343
DEFERRED OUTFLOWS OF RESOURCES	<u>14,431,568</u>	<u>296,533</u>	<u>14,728,101</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	331,137,932	242,959,410	574,097,342
LIABILITIES			
Current:			
Warrants payable	7,476,423	2,112,790	9,589,213
Accounts payable	248,259	20,102	268,361
Accrued liabilities	18,802,939	923,037	19,725,976
Tax refunds payable	5,484,498	-	5,484,498
Notes payable	5,202,473	11,016,899	16,219,372
Other liabilities	168,824	-	168,824
Current portion of long-term liabilities:			
Bonds payable	10,336,947	9,397,206	19,734,153
Compensated absences	2,562,017	148,554	2,710,571
Capital leases	151,033	-	151,033
Other liabilities	171,834	332,181	504,015
Noncurrent:			
Bonds payable	55,051,509	134,035,674	189,087,183
Net OPEB obligation	110,224,560	3,791,971	114,016,531
Net pension liability	100,700,437	2,107,565	102,808,002
Compensated absences	1,265,407	13,813	1,279,220
Capital leases	5,814,724	-	5,814,724
Other liabilities	3,545,464	6,053,920	9,599,384
DEFERRED INFLOWS OF RESOURCES	<u>297,966</u>	<u>226,800</u>	<u>524,766</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	327,505,314	170,180,512	497,685,826
NET POSITION			
Net investment in capital assets	140,243,648	57,138,257	197,381,905
Restricted for:			
Grants and other statutory restrictions	10,484,155	-	10,484,155
Permanent funds:			
Nonexpendable	585,195	-	585,195
Expendable	2,177,927	-	2,177,927
Unrestricted	<u>(149,858,307)</u>	<u>15,640,641</u>	<u>(134,217,666)</u>
TOTAL NET POSITION	<u>\$ 3,632,618</u>	<u>\$ 72,778,898</u>	<u>\$ 76,411,516</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 18,649,988	\$ 1,558,877	\$ 81,052	\$ 499,009	\$ (16,511,050)	\$ -	\$ (16,511,050)
Public safety	36,330,789	7,506,807	887,064	-	(27,936,918)	-	(27,936,918)
Education	172,179,545	5,533,966	71,733,586	-	(94,911,993)	-	(94,911,993)
Public works	18,080,528	662,249	2,454,800	13,299	(14,950,180)	-	(14,950,180)
Health and human services	1,945,884	145,833	816,285	-	(983,766)	-	(983,766)
Culture and recreation	8,575,497	958,056	1,271,912	1,907,080	(4,438,449)	-	(4,438,449)
Employee benefits	51,825,197	6,315,127	-	-	(45,510,070)	-	(45,510,070)
Interest	2,777,303	-	-	-	(2,777,303)	-	(2,777,303)
Intergovernmental	6,570,346	-	-	-	(6,570,346)	-	(6,570,346)
Total Governmental Activities	<u>316,935,077</u>	<u>22,680,915</u>	<u>77,244,699</u>	<u>2,419,388</u>	<u>(214,590,075)</u>	<u>-</u>	<u>(214,590,075)</u>
Business-Type Activities:							
Water services	17,676,303	20,594,021	-	-	-	2,917,718	2,917,718
Sewer services	<u>25,650,444</u>	<u>25,828,388</u>	<u>-</u>	<u>23,726</u>	<u>-</u>	<u>201,670</u>	<u>201,670</u>
Total Business-type Activities	<u>43,326,747</u>	<u>46,422,409</u>	<u>-</u>	<u>23,726</u>	<u>-</u>	<u>3,119,388</u>	<u>3,119,388</u>
Total Primary Government	<u>\$ 360,261,824</u>	<u>\$ 69,103,324</u>	<u>\$ 77,244,699</u>	<u>\$ 2,443,114</u>	<u>(214,590,075)</u>	<u>3,119,388</u>	<u>(211,470,687)</u>
General Revenues and transfers:							
Property taxes					175,056,162	-	175,056,162
Excises					8,094,079	-	8,094,079
Penalties, interest and other taxes					5,019,170	-	5,019,170
Grants and contributions not restricted to specific programs					9,524,657	-	9,524,657
Investment income					1,094,565	37,160	1,131,725
Miscellaneous					3,856,710	532,033	4,388,743
Transfers, net					<u>2,982,422</u>	<u>(2,982,422)</u>	<u>-</u>
Total general revenues and transfers					<u>205,627,765</u>	<u>(2,413,229)</u>	<u>203,214,536</u>
Change in Net Position					(8,962,310)	706,159	(8,256,151)
Net Position:							
Beginning of Year					<u>12,594,928</u>	<u>72,072,739</u>	<u>84,667,667</u>
End of Year					<u>\$ 3,632,618</u>	<u>\$ 72,778,898</u>	<u>\$ 76,411,516</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 46,832,196	\$ 8,792,051	\$ 55,624,247
Investments	19,065,362	2,114,609	21,179,971
Receivables:			
Property taxes	4,510,693	-	4,510,693
Motor vehicle excise	3,074,797	-	3,074,797
User fees	-	567,227	567,227
Departmental and other	153,781	998,169	1,151,950
Intergovernmental	779,232	6,391,946	7,171,178
Other assets	<u>46,857</u>	<u>107,880</u>	<u>154,737</u>
TOTAL ASSETS	<u>\$ 74,462,918</u>	<u>\$ 18,971,882</u>	<u>\$ 93,434,800</u>
LIABILITIES			
Warrants payable	\$ 3,974,625	\$ 3,453,766	\$ 7,428,391
Accounts payable	-	248,259	248,259
Accrued liabilities	10,824,021	727,822	11,551,843
Tax refunds payable	5,484,498	-	5,484,498
Notes payable	-	5,202,473	5,202,473
Other liabilities	<u>139,572</u>	<u>29,252</u>	<u>168,824</u>
TOTAL LIABILITIES	20,422,716	9,661,572	30,084,288
DEFERRED INFLOWS OF RESOURCES	7,245,552	2,994,269	10,239,821
FUND BALANCES			
Nonspendable	76,172	585,195	661,367
Restricted	49,432	14,176,385	14,225,817
Committed	4,291,641	25,247	4,316,888
Assigned	9,390,141	-	9,390,141
Unassigned	<u>32,987,264</u>	<u>(8,470,786)</u>	<u>24,516,478</u>
TOTAL FUND BALANCES	<u>46,794,650</u>	<u>6,316,041</u>	<u>53,110,691</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 74,462,918</u>	<u>\$ 18,971,882</u>	<u>\$ 93,434,800</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2016

Total governmental fund balances	\$ 53,110,691
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	210,834,577
• Noncurrent assets, including MSBA reimbursements for contracted assistance, are not receivable in the current period and, therefore, are not reported in the governmental funds.	7,695,985
• 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.	12,150
• Deferred outflow of resources related to pensions resulting from projected vs. actual earnings will be recognized as a increase of pension expense in future years.	14,168,468
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	6,921,359
• Deferred inflow of resources related to pensions resulting from change in proportion will be recognized as a reduction of pension expense in future years.	(47,016)
• 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.	1,127,107
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(366,771)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(65,388,456)
Capital leases	(5,965,757)
Net OPEB obligation	(110,224,560)
Net pension liability	(100,700,437)
Compensated absences liability	(3,827,424)
Premiums on bonds	<u>(3,717,298)</u>
Net position of governmental activities	\$ <u>3,632,618</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 175,954,639	\$ -	\$ 175,954,639
Excises	7,880,624	-	7,880,624
Penalties, interest and other taxes	5,019,170	-	5,019,170
Charges for services	2,624,849	10,181,773	12,806,622
Intergovernmental	52,659,075	20,887,466	73,546,541
Licenses and permits	3,075,748	35,875	3,111,623
Fines and forfeitures	414,350	13,842	428,192
Investment income	734,217	5,223	739,440
Contributions	-	1,051,049	1,051,049
Miscellaneous	2,669,057	2,994,776	5,663,833
	<u>251,031,729</u>	<u>35,170,004</u>	<u>286,201,733</u>
Total Revenues			
Expenditures:			
Current:			
General government	11,413,637	1,306,362	12,719,999
Public safety	28,082,341	5,133,740	33,216,081
Education	125,261,258	18,490,151	143,751,409
Public works	11,977,758	3,275,118	15,252,876
Human services	1,506,008	233,925	1,739,933
Culture and recreation	6,460,127	812,832	7,272,959
Employee benefits	44,914,727	-	44,914,727
Debt service	10,825,078	-	10,825,078
Intergovernmental	6,570,346	-	6,570,346
Capital outlay	5,407,091	15,888,838	21,295,929
	<u>252,418,371</u>	<u>45,140,966</u>	<u>297,559,337</u>
Total Expenditures			
Excess (Deficiency) of revenues over expenditures	(1,386,642)	(9,970,962)	(11,357,604)
Other Financing Sources (Uses):			
Proceeds from bond issuances	-	19,734,325	19,734,325
Proceeds from leases	5,965,757	-	5,965,757
Transfers in	5,777,637	18,922	5,796,559
Transfers out	(18,922)	(2,795,215)	(2,814,137)
	<u>11,724,472</u>	<u>16,958,032</u>	<u>28,682,504</u>
Total Other Financing Sources (Uses)			
Change in fund balance	10,337,830	6,987,070	17,324,900
Fund Balance, at Beginning of Year	<u>36,456,820</u>	<u>(671,029)</u>	<u>35,785,791</u>
Fund Balance, at End of Year	<u>\$ 46,794,650</u>	<u>\$ 6,316,041</u>	<u>\$ 53,110,691</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net changes in fund balances - Total governmental funds	\$ 17,324,900																						
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Capital outlay purchases, net of disposals</td> <td style="width: 30%; text-align: right;">21,934,245</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(14,774,911)</td> </tr> </table> • 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. (1,385,789) • 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. (2,129,670) • 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 position: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Proceeds from bonds and leases</td> <td style="width: 30%; text-align: right;">(25,700,082)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">8,178,331</td> </tr> <tr> <td>Change in deferred debt amortization</td> <td style="text-align: right;">(59,816)</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. (70,739) • Some expenses reported in the Statement of Activities, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Increase in liability for compensated absences</td> <td style="width: 30%; text-align: right;">(111,480)</td> </tr> <tr> <td>Increase in net OPEB obligation</td> <td style="text-align: right;">(10,315,987)</td> </tr> <tr> <td>Increase in deferred outflows of resources related to net pension liability</td> <td style="text-align: right;">13,728,672</td> </tr> <tr> <td>Increase in deferred inflows of resources related to net pension liability</td> <td style="text-align: right;">(47,016)</td> </tr> <tr> <td>Increase in net pension liability</td> <td style="text-align: right;">(13,907,921)</td> </tr> <tr> <td>Increase in bond premium amortization</td> <td style="text-align: right;">(1,611,094)</td> </tr> </table> • 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. <u>(13,953)</u> 		Capital outlay purchases, net of disposals	21,934,245	Depreciation	(14,774,911)	Proceeds from bonds and leases	(25,700,082)	Repayments of debt	8,178,331	Change in deferred debt amortization	(59,816)	Increase in liability for compensated absences	(111,480)	Increase in net OPEB obligation	(10,315,987)	Increase in deferred outflows of resources related to net pension liability	13,728,672	Increase in deferred inflows of resources related to net pension liability	(47,016)	Increase in net pension liability	(13,907,921)	Increase in bond premium amortization	(1,611,094)
Capital outlay purchases, net of disposals	21,934,245																						
Depreciation	(14,774,911)																						
Proceeds from bonds and leases	(25,700,082)																						
Repayments of debt	8,178,331																						
Change in deferred debt amortization	(59,816)																						
Increase in liability for compensated absences	(111,480)																						
Increase in net OPEB obligation	(10,315,987)																						
Increase in deferred outflows of resources related to net pension liability	13,728,672																						
Increase in deferred inflows of resources related to net pension liability	(47,016)																						
Increase in net pension liability	(13,907,921)																						
Increase in bond premium amortization	(1,611,094)																						
Change in net position of governmental activities	\$ <u>(8,962,310)</u>																						

The accompanying notes are an integral part of these financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues and Transfers In:				
Property taxes	\$ 173,461,634	\$ 173,461,634	\$ 173,461,634	\$ -
Excise	7,500,000	7,500,000	7,880,621	380,621
Penalties, interest and other taxes	4,569,200	4,569,200	4,958,753	389,553
Charges for services	2,238,128	2,238,128	2,707,031	468,903
Intergovernmental	50,474,288	50,474,288	50,439,985	(34,303)
Licenses and permits	3,250,000	3,250,000	2,993,568	(256,432)
Fines and forfeitures	450,000	450,000	414,350	(35,650)
Investment income	100,000	100,000	97,216	(2,784)
Miscellaneous	2,476,940	2,546,940	4,997,683	2,450,743
Transfers in	3,047,422	4,119,431	5,773,572	1,654,141
Total Revenues and Transfers In	247,567,612	248,709,621	253,724,413	5,014,792
Expenditures and Transfers Out:				
General government division	3,579,983	6,205,172	5,804,736	400,436
Finance division	2,409,886	2,422,862	2,265,009	157,853
Technology services division	1,564,774	1,565,915	1,536,777	29,138
Human resources division	1,055,950	1,059,693	964,169	95,524
Planning and economic development	508,866	511,007	470,224	40,783
Police division	14,913,780	14,974,278	14,040,657	933,621
Fire division	13,579,739	13,662,343	13,239,683	422,660
Public worksdivision	10,155,797	10,166,650	10,039,521	127,129
Snow and ice appropriation	1,636,288	1,636,288	1,512,945	123,343
Parks/recreation/cultural affair	3,806,038	3,811,932	3,612,663	199,269
Inspectional services division	2,218,284	2,231,573	1,986,906	244,667
Framingham public schools	115,731,953	116,231,953	116,225,113	6,840
Keefe technical school assessment	8,941,210	8,941,210	8,924,178	17,032
Framingham public library	3,039,418	3,381,868	3,366,077	15,791
Planning board	223,124	225,097	180,574	44,523
Town clerk/elections	371,789	371,134	351,624	19,510
Town clerk stipend	94,932	97,780	97,780	-
Stabilization transfer	999,866	999,866	999,866	-
Reserve fund	400,000	231,066	-	231,066
Miscellaneous unclassified	32,821,856	32,517,856	30,135,024	2,382,832
Transfers to other funds	199,973	199,973	199,973	-
Retirement/medicare appropriation	14,899,825	15,049,825	15,046,586	3,239
Debt service	11,922,904	11,922,904	10,611,773	1,311,131
Non-appropriated items	7,196,116	7,196,115	6,977,847	218,268
Articles	245,000	345,000	352,500	(7,500)
Total Expenditures and Transfers Out	252,517,351	255,959,360	248,942,205	7,017,155
Excess of revenues and transfers in over expenditures and transfers out	(4,949,739)	(7,249,739)	4,782,208	12,031,947
Other Financing Sources:				
Use of free cash	4,949,739	4,949,739	-	(4,949,739)
Use of free cash - capital	-	2,300,000	-	(2,300,000)
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 4,782,208	\$ 4,782,208

The accompanying notes are an integral part of these financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2016

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Funds
ASSETS				
Current:				
Cash and short-term investments	\$ 6,750,877	\$ 8,957,537	\$ 15,708,414	\$ 7,959,025
User fees, net of allowance for uncollectibles	6,785,943	8,426,704	15,212,647	-
Intergovernmental	-	250,804	250,804	-
Other assets	-	-	-	100,439
Total current assets	13,536,820	17,635,045	31,171,865	8,059,464
Noncurrent:				
Intergovernmental	-	982,767	982,767	-
Assessments	704,874	-	704,874	-
Land and construction in progress	10,697,587	2,351,374	13,048,961	-
Other capital assets, net of accumulated depreciation	72,812,184	123,942,226	196,754,410	-
Total noncurrent assets	84,214,645	127,276,367	211,491,012	-
DEFERRED OUTFLOWS OF RESOURCES	173,580	122,953	296,533	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	97,925,045	145,034,365	242,959,410	8,059,464
LIABILITIES				
Current:				
Warrants payable	1,010,703	1,102,087	2,112,790	48,032
Accounts payable	19,845	257	20,102	-
Accrued liabilities	296,590	626,447	923,037	6,884,325
Notes payable	4,999,037	6,017,862	11,016,899	-
Current portion of long-term liabilities:				
Bonds payable	3,796,256	5,600,950	9,397,206	-
Compensated absences	92,634	55,920	148,554	-
Other liabilities	173,557	158,624	332,181	-
Total current liabilities	10,388,622	13,562,147	23,950,769	6,932,357
Noncurrent:				
Bonds payable	44,164,284	89,871,390	134,035,674	-
Net OPEB obligation	2,006,105	1,785,866	3,791,971	-
Net pension liability	1,233,696	873,869	2,107,565	-
Compensated absences	9,536	4,277	13,813	-
Other liabilities	2,985,009	3,068,911	6,053,920	-
Total noncurrent liabilities	50,398,630	95,604,313	146,002,943	-
DEFERRED INFLOWS OF RESOURCES	209,400	17,400	226,800	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	60,996,652	109,183,860	170,180,512	6,932,357
NET POSITION				
Net investment in capital assets	30,550,194	26,588,063	57,138,257	-
Unrestricted	6,378,199	9,262,442	15,640,641	1,127,107
TOTAL NET POSITION	\$ 36,928,393	\$ 35,850,505	\$ 72,778,898	\$ 1,127,107

The accompanying notes are an integral part of these financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Operating Revenues:				
Charges for services	\$ 20,482,669	\$ 25,694,945	\$ 46,177,614	\$ 6,315,127
Other	<u>111,352</u>	<u>133,443</u>	<u>244,795</u>	<u>-</u>
Total Operating Revenues	20,594,021	25,828,388	46,422,409	6,315,127
Operating Expenses:				
Salaries and wages	3,116,958	2,607,524	5,724,482	-
Operating expenses	1,771,425	1,360,592	3,132,017	6,684,205
Depreciation	2,851,938	7,279,969	10,131,907	-
Intergovernmental	<u>8,264,358</u>	<u>11,893,982</u>	<u>20,158,340</u>	<u>-</u>
Total Operating Expenses	<u>16,004,679</u>	<u>23,142,067</u>	<u>39,146,746</u>	<u>6,684,205</u>
Operating Income (Loss)	4,589,342	2,686,321	7,275,663	(369,078)
Nonoperating Revenues (Expenses):				
Investment income	18,401	18,759	37,160	355,125
Interest expense	(1,671,624)	(2,508,377)	(4,180,001)	-
Other nonoperating income	<u>208,857</u>	<u>323,176</u>	<u>532,033</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>(1,444,366)</u>	<u>(2,166,442)</u>	<u>(3,610,808)</u>	<u>355,125</u>
Income (Loss) Before Capital Contributions and Transfers	3,144,976	519,879	3,664,855	(13,953)
Capital contributions	-	23,726	23,726	-
Transfers in	-	16,852	16,852	-
Transfers out	<u>(1,562,147)</u>	<u>(1,437,127)</u>	<u>(2,999,274)</u>	<u>-</u>
Change in Net Position	1,582,829	(876,670)	706,159	(13,953)
Net Position at Beginning of Year	<u>35,345,564</u>	<u>36,727,175</u>	<u>72,072,739</u>	<u>1,141,060</u>
Net Position at End of Year	<u>\$ 36,928,393</u>	<u>\$ 35,850,505</u>	<u>\$ 72,778,898</u>	<u>\$ 1,127,107</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 20,528,834	\$ 25,526,298	\$ 46,055,132	\$ 6,303,172
Payments to vendors	(10,441,703)	(12,241,868)	(22,683,571)	-
Payments to employees	<u>(2,920,720)</u>	<u>(2,521,040)</u>	<u>(5,441,760)</u>	<u>(3,485,601)</u>
Net Cash Provided By Operating Activities	7,166,411	10,763,390	17,929,801	2,817,571
<u>Cash Flows From Noncapital Financing Activities:</u>				
Transfers in	-	16,852	16,852	-
Transfers out	(1,562,147)	(1,437,127)	(2,999,274)	-
Other nonoperating income	<u>817,747</u>	<u>347,915</u>	<u>1,165,662</u>	<u>-</u>
Net Cash (Used For) Noncapital Financing Activities	(744,400)	(1,072,360)	(1,816,760)	-
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Proceeds from issuance of bonds	8,779,477	17,352,975	26,132,452	-
Proceeds from issuance of short-term notes	4,999,037	6,136,040	11,135,077	-
Acquisition and construction of capital assets, net of disposals	(8,462,631)	(8,221,681)	(16,684,312)	-
Principal payments on bonds	(3,536,748)	(4,558,832)	(8,095,580)	-
Principal payments on short-term notes	(8,575,387)	(19,237,803)	(27,813,190)	-
Interest expense	<u>(1,644,536)</u>	<u>(2,454,386)</u>	<u>(4,098,922)</u>	<u>-</u>
Capital contributions	-	<u>69,309</u>	<u>69,309</u>	<u>-</u>
Net (Used For) Capital and Related Financing Activities	(8,440,788)	(10,914,378)	(19,355,166)	-
<u>Cash Flows From Investing Activities:</u>				
Investment income	<u>18,401</u>	<u>18,759</u>	<u>37,160</u>	<u>355,125</u>
Net Cash Provided By Investing Activities	<u>18,401</u>	<u>18,759</u>	<u>37,160</u>	<u>355,125</u>
Net Change in Cash and Short-Term Investments	(2,000,376)	(1,204,589)	(3,204,965)	3,172,696
Cash and Short-Term Investments, Beginning of Year	<u>8,751,253</u>	<u>10,162,126</u>	<u>18,913,379</u>	<u>4,786,329</u>
Cash and Short-Term Investments, End of Year	<u>\$ 6,750,877</u>	<u>\$ 8,957,537</u>	<u>\$ 15,708,414</u>	<u>\$ 7,959,025</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>				
Operating income (loss)	\$ 4,589,342	\$ 2,686,321	\$ 7,275,663	\$ (369,078)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,851,938	7,279,969	10,131,907	-
Changes in assets and liabilities:				
User fees	(139,209)	(302,090)	(441,299)	(11,955)
Assessments	74,022	-	74,022	-
Other assets	(168,192)	(119,136)	(287,328)	-
Warrants payable	(405,500)	(182,894)	(588,394)	(18,478)
Accounts payable	(420)	(1,440)	(1,860)	-
Accrued liabilities	65,382	(6,588)	58,794	3,217,082
Other liabilities	-	1,197,040	1,197,040	-
Compensated absences	2,976	1,753	4,729	-
Net OPEB obligation	125,684	89,763	215,447	-
Net pension liability	<u>170,388</u>	<u>120,692</u>	<u>291,080</u>	<u>-</u>
Net Cash Provided By Operating Activities	<u>\$ 7,166,411</u>	<u>\$ 10,763,390</u>	<u>\$ 17,929,801</u>	<u>\$ 2,817,571</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2016

	Pension Trust Fund (as of <u>December 31, 2015</u>)	Other Post Employment <u>Trust Fund</u>	Agency <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 2,340,267	\$ 692,997	\$ 4,023,123
Investments	255,277,569	3,537,269	1,131,005
Accounts receivable	<u>186,779</u>	<u>-</u>	<u>15,747</u>
Total Assets	257,804,615	4,230,266	5,169,875
 LIABILITIES AND NET ASSETS			
Warrants payable	10,368	-	29,089
Other liabilities	<u>-</u>	<u>-</u>	<u>5,140,786</u>
Total Liabilities	<u>10,368</u>	<u>-</u>	<u>5,169,875</u>
Total Net Position Held in Trust For Pension and other Benefits	<u>\$ 257,794,247</u>	<u>\$ 4,230,266</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF FRAMINGHAM, MASSACHUSETTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Pension Trust Fund (for the year ended December 31, 2015)	Other Post Employment Trust Fund
Additions:		
Contributions:		
Employers	\$ 13,037,183	\$ 675,005
Plan members	7,285,490	-
Reimbursements from federal grants	66,114	-
Reimbursements from Commonwealth of Massachusetts	205,249	-
Reimbursements from other systems	663,445	-
Other	10,000	-
	<u>21,267,481</u>	<u>675,005</u>
Investment Income:		
Increase in fair value of investments	2,748,140	96,243
Less: management fees	<u>(1,320,811)</u>	<u>-</u>
Net investment income	<u>1,427,329</u>	<u>96,243</u>
Total additions	22,694,810	771,248
Deductions:		
Benefit payments to plan members and beneficiaries	21,162,367	-
Reimbursements to other systems	1,122,629	-
Refunds and transfers of plan member accounts to other systems	1,415,895	-
Administrative expenses	<u>326,996</u>	<u>-</u>
Total deductions	<u>24,027,887</u>	<u>-</u>
Net increase (decrease)	(1,333,077)	771,248
Net position held in trust for pension benefits:		
Beginning of Year	<u>259,127,324</u>	<u>3,459,018</u>
End of Year	<u>\$ 257,794,247</u>	<u>\$ 4,230,266</u>

The accompanying notes are an integral part of these 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 fiscal year 2014, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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 Position and the Statement of Activities) 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.

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, reported as an *internal service fund* in the accompanying financial statements, was converted from a self-insurance program to the GIC insurance plan starting in fiscal year 2015. The remaining balance in the fund is to pay unanticipated run-off claims.

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 *other post-employment trust fund* is used to accumulate resources for health and life insurance benefits for retired 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 were 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 2016 tax levy reflected an excess capacity of \$9,065,372.

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, are 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 Position.

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 position".

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., Town Meeting).
- 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 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 Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment 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 position is 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. The remaining net position is 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.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 251,031,729	\$ 252,418,371
Other financing sources/uses (GAAP Basis)	<u>11,743,394</u>	<u>18,922</u>
Subtotal (GAAP Basis)	262,775,123	252,437,293
Adjust tax revenue to accrual basis	(2,493,005)	-
Reverse expenditures of prior year carryforwards	-	(235,680)
Add end-of-year appropriation carryforwards from expenditures	-	775,982
Energy conservation lease	(5,965,757)	(5,407,093)
To reverse stabilization activity	(637,001)	1,199,839
Other	<u>45,053</u>	<u>171,864</u>
Budgetary Basis	<u>\$ 253,724,413</u>	<u>\$ 248,942,205</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2016:

Capital Project Funds:	
Roadway Improvements	\$ (2,550,021)
McAuliffe Branch Library	(750,713)
(2) Refuse Packers and Plows	(561,357)
Technology Upgrades	(419,216)
Catch Basin	(359,384)
Callahan Senior Center Roof	(257,766)
Loader	(202,390)
Loring Arena Renovations	(173,258)
Farley School	(151,783)
Archived Doc Scan	(150,079)
4 Packers	(140,579)
Data Warehouse	(136,742)
Drinage System & Water Quality	(129,834)
Roadway Improvements FY15	(129,475)
Paving	(128,265)
Mechanical, Electrical, Plumbing	(121,262)
Backhoe/Loader	(112,900)
Edwards Cemetery Road	(111,894)
Other (61 individual projects)	(1,750,570)

(continued)

(continued)

Special Revenue Funds:	
Bulletproof Vest Prnship Program	(38,733)
West Metro HOME Consortium	(62,674)
Department of Housing Community Service	(28,470)
EPA Brownsfield Grant	(3,315)
Mass DOT Grants	(13)
US SPED Early Childhood	(12)
Partnership for Skilled Workforce	(81)
Total	<u>\$ (8,470,786)</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, 2016 and December 31, 2015, \$6,089,926 and \$55,731 of the Town's and System's bank balances of \$84,989,475 and \$3,808,244 respectively, was exposed to custodial credit risk as uninsured or uncollateralized.

Of the Town's balance exposed to custodial credit risk, \$2,701,778 is on deposit with Massachusetts Municipal Depository Trust.

Of the System's balance exposed to custodial credit risk, \$731 is on deposit with the Pension Reserve Investment Trust and \$55,000 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>A2</u>	<u>Not Rated</u>
Corporate stocks	\$ 5,954	\$ -	\$ -	\$ 5,954
Corporate bonds	1,490	-	1,490	-
Certificate of deposit	9,101	-	-	9,101
Mutual funds	5,368	-	-	5,368
US Treasury notes	898	898	-	-
Federal agency securities	<u>3,037</u>	<u>-</u>	<u>3,037</u>	<u>-</u>
Total investments	<u>\$ 25,848</u>	<u>\$ 898</u>	<u>\$ 4,527</u>	<u>\$ 20,423</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, 2015, the Contributory Retirement System maintained its investments in the State Investment Pool* with a fair value of \$255,277,569. 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.

The Town's investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments, was \$3,036,546 held in Federal Home Loan Mortgage notes .

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</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Debt-related Securities:			
Corporate bonds	\$ 1,490	\$ 225	\$ 1,265
Certificate of deposit	9,101	2,795	6,306
US Treasury notes	898	-	898
Federal agency securities	<u>3,037</u>	<u>-</u>	<u>3,037</u>
Total	<u>\$ 14,526</u>	<u>\$ 3,020</u>	<u>\$ 11,506</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.

F. Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following fair value measurements as of June 30, 2016:

<u>Description</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>
Investments by fair value level:			
Debt securities			
U.S. Treasury securities	\$ 898	\$ -	\$ 898
U.S. Federal agencies	3,037	-	3,037
Corporate bonds	1,490	-	1,490
Equity securities	<u>5,954</u>	<u>5,954</u>	<u>-</u>
Total	<u>\$ 11,379</u>	<u>\$ 5,954</u>	<u>\$ 5,425</u>

The System has the following fair value measurements as of December 31, 2015 (in thousands):

<u>Description</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$ 255,278	\$ -	Monthly	30 days

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, 2016 consist of the following (in thousands):

Real Estate		
2016	\$ 1,491	
2015	45	
2014	15	
2013	6	
Prior	<u>13</u>	1,570
Personal Property		
2015	49	
2014	17	
2013	16	
Prior	<u>351</u>	433
Tax Liens		1,964
Deferred Taxes		<u>544</u>
Total		<u>\$ 4,511</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	\$ 1,439	\$ -
Excises	\$ 1,879	\$ -
Utilities	\$ -	\$ 90

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2016, as well as funding to be provided by the Massachusetts School Building Authority for reimbursement of approved school capital project expenditures.

8. Interfund Fund Transfers

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2016:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net</u>
<u>Governmental Funds:</u>			
General Fund	\$ 5,777,637	\$ 18,922	\$ 5,758,715
<u>Nonmajor Governmental Funds:</u>			
Insurance proceeds greater than \$20,000	-	2,726,150	(2,726,150)
Other	18,922	69,065	(50,143)
Subtotal - Governmental	5,796,559	2,814,137	2,982,422
<u>Proprietary Funds:</u>			
Water Enterprise Fund	-	1,562,147	(1,562,147)
Sewer Enterprise Fund	16,852	1,437,127	(1,420,275)
Subtotal - Proprietary	16,852	2,999,274	(2,982,422)
Total	\$ 5,813,411	\$ 5,813,411	\$ -

Transfers to the General Fund from the Water and Sewer funds are to cover indirect costs incurred by the General Fund. The transfer from insurance proceeds greater than \$20,000 represents reimbursement to the General Fund for damage to the Library.

9. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 202,796	\$ 6,224	\$ -	\$ 209,020
Vehicles, machinery, equipment and furnishings	57,983	8,634	(6,412)	60,205
Infrastructure	<u>68,552</u>	<u>6,461</u>	<u>-</u>	<u>75,013</u>
Total capital assets, being depreciated	329,331	21,319	(6,412)	344,238
Less accumulated depreciation for:				
Buildings and improvements	(84,977)	(6,242)	-	(91,219)
Vehicles, machinery, equipment and furnishings	(38,885)	(4,816)	6,241	(37,460)
Infrastructure	<u>(26,559)</u>	<u>(3,717)</u>	<u>-</u>	<u>(30,276)</u>
Total accumulated depreciation	<u>(150,421)</u>	<u>(14,775)</u>	<u>6,241</u>	<u>(158,955)</u>
Total capital assets, being depreciated, net	178,910	6,544	(171)	185,283
Capital assets, not being depreciated:				
Land	20,032	-	-	20,032
Construction in progress	<u>4,733</u>	<u>787</u>	<u>-</u>	<u>5,520</u>
Total capital assets, not being depreciated	<u>24,765</u>	<u>787</u>	<u>-</u>	<u>25,552</u>
Governmental activities capital assets, net	<u>\$ 203,675</u>	<u>\$ 7,331</u>	<u>\$ (171)</u>	<u>\$ 210,835</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 38,708	\$ 3,345	\$ -	\$ 42,053
Vehicles, machinery, equipment and furnishings	12,011	1,376	(1,599)	11,788
Infrastructure	<u>218,398</u>	<u>11,595</u>	<u>-</u>	<u>229,993</u>
Total capital assets, being depreciated	269,117	16,316	(1,599)	283,834
Less accumulated depreciation for:				
Capital assets, being depreciated:				
Buildings and improvements	(7,900)	(1,279)	-	(9,179)
Vehicles, machinery, equipment and furnishings	(8,084)	(765)	1,490	(7,359)
Infrastructure	<u>(62,454)</u>	<u>(8,088)</u>	<u>-</u>	<u>(70,542)</u>
Total accumulated depreciation	<u>(78,438)</u>	<u>(10,132)</u>	<u>1,490</u>	<u>(87,080)</u>
Total capital assets, being depreciated, net	190,679	6,184	(109)	196,754
Capital assets, not being depreciated:				
Land	1,108	28	-	1,136
Construction in progress	<u>11,464</u>	<u>449</u>	<u>-</u>	<u>11,913</u>
Total capital assets, not being depreciated	<u>12,572</u>	<u>477</u>	<u>-</u>	<u>13,049</u>
Business-type activities capital assets, net	<u>\$ 203,251</u>	<u>\$ 6,661</u>	<u>\$ (109)</u>	<u>\$ 209,803</u>

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

Governmental Activities:	
General government	\$ 1,251
Public safety	1,428
Education	5,423
Public works	5,472
Health and human services	128
Culture and recreation	<u>1,073</u>
Total depreciation expense - governmental activities	<u>\$ 14,775</u>
Business-Type Activities:	
Water	\$ 2,852
Sewer	<u>7,280</u>
Total depreciation expense - business-type activities	<u>\$ 10,132</u>

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of June 30, 2016 (in thousands):

	<u>Entity-wide Basis</u>		<u>Fund Basis</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Proprietary Funds Water</u>	<u>Sewer</u>
Loss on refunding	\$ 263	\$ -	\$ -	\$ -
Pension related:				
Net difference between projected and actual pension investment earnings	<u>14,169</u>	<u>297</u>	<u>174</u>	<u>123</u>
Total	<u>\$ 14,432</u>	<u>\$ 297</u>	<u>\$ 174</u>	<u>\$ 123</u>

11. Warrants and Accounts Payable

Warrants payable represent 2016 expenditures paid by July 15, 2016. Accounts payable represent additional 2016 expenditures paid after July 15, 2016.

12. 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.

13. Anticipation Notes Payable

The Town had the following notes outstanding at June 30, 2016:

	Interest Rate	Date of Issue	Date of Maturity	Balance at 6/30/16
Bond anticipation	0.00%	12/11/15	12/09/16	\$ 4,417,913
Bond anticipation	0.00%	06/24/16	12/09/16	<u>11,801,459</u>
Total				<u>\$ 16,219,372</u>

The following summarizes activity in notes payable during fiscal year 2016:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation	\$ -	\$ 4,417,913	\$ -	\$ 4,417,913
Bond anticipation	-	11,801,459	-	11,801,459
Bond anticipation	20,967,117	-	(20,967,117)	-
Bond anticipation	17,281,057	-	(17,281,057)	-
State revolving loan	133,266	-	(133,266)	-
State revolving loan	<u>2,175,442</u>	<u>-</u>	<u>(2,175,442)</u>	<u>-</u>
Total	<u>\$ 40,556,882</u>	<u>\$ 16,219,372</u>	<u>\$ (40,556,882)</u>	<u>\$ 16,219,372</u>

14. Long-Term Debt

A. General Obligation Bonds

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

<u>Governmental Activities:</u>	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>6/30/16</u>
General obligation	03/25	3.79%	\$ 1,231,500
General obligation	03/24	3.79%	501,875
General obligation	03/24	3.79%	573,775
General obligation	02/19	4.34%	2,896,500
General obligation	03/23	3.00%	61,400
General obligation	11/23	0.00%	203,000
General obligation	03/20	5.51%	3,392,500
General obligation	03/24	3.00%	406,300
General obligation	06/26	4.08%	365,000
General obligation	11/27	3.84%	1,515,000
General obligation	07/27	2.00%	192,996
General obligation	06/24	3.00%	2,750,000
General obligation	06/30	3.00%	2,595,000
General obligation	07/30	2.00%	242,286
General obligation	06/31	3.63%	8,615,000
General obligation	12/32	3.45%	4,835,000
General obligation	12/38	3.24%	8,780,000
General obligation	12/35	3.84%	6,497,000
General obligation	12/40	3.87%	<u>19,734,324</u>
Total Governmental Activities			<u>\$ 65,388,456</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/16</u>
Water (MWRA)	03/23	3.00%	\$ 118,900
Sewer	03/25	3.79%	247,400
Water	03/24	3.00%	1,281,750
Sewer (MWPAT)	03/24	0.00%	152,395
Water	03/25	3.79%	577,100
Water	06/26	4.08%	1,080,000
Sewer	06/26	4.08%	505,000
Sewer	11/27	3.84%	1,820,000
Water	11/27	3.84%	215,000
Sewer	07/27	2.00%	5,942,675
Sewer (MWPAT)	07/28	2.00%	304,893
Sewer (MWPAT)	07/28	2.00%	1,485,829
Water	06/24	3.00%	55,000
Sewer	06/30	3.00%	150,000
Water	06/30	3.00%	4,455,000
Sewer (MWPAT)	07/30	2.00%	1,188,944
Sewer (MWPAT)	07/27	2.00%	92,374
Sewer (MWPAT)	07/30	2.00%	147,486
Sewer (MWPAT)	07/30	2.00%	2,573,969
Sewer (MWPAT)	07/30	2.00%	2,949,850
Sewer (MWPAT)	07/30	2.00%	6,644,505
Sewer (MWPAT)	07/30	2.00%	244,227
Water	06/31	3.63%	5,185,000
Sewer	06/31	3.63%	4,890,000
Sewer (MWRA)	11/16	0.00%	84,987
Sewer (MWPAT)	07/28	2.00%	5,417
Sewer (MWPAT)	07/32	2.00%	20,831,503
Water (MWRA)	11/22	0.00%	3,993,108
Water	12/32	3.45%	15,845,000
Sewer	12/32	3.45%	2,175,000
Sewer (MWPAT)	07/30	2.00%	1,330,852
Water	12/38	3.24%	3,705,000
Sewer	12/38	3.24%	6,095,000
Sewer (MWPAT)	12/38	3.24%	286,771
Water	12/40	3.84%	1,360,000
Water	01/25	0.00%	1,324,260
Sewer	12/40	3.84%	11,638,000
Sewer (MWPAT)	01/35	2.00%	5,934,705
Sewer	5/20	0.00%	383,526
Water	12/40	3.87%	8,765,422
Sewer	12/40	3.87%	15,168,253
Sewer (MWPAT)	1/36	2.00%	2,114,587
Sewer (MWPAT)	1/30	2.00%	84,192
Total Business-Type Activities			<u>\$ 143,432,880</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2016 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 10,336,947	\$ 2,575,097	\$ 12,912,044
2018	9,248,094	2,162,112	11,410,206
2019	8,069,377	1,776,995	9,846,372
2020	6,615,972	1,434,596	8,050,568
2021	4,445,680	1,176,842	5,622,522
2022 - 2026	17,186,996	3,290,396	20,477,392
2027 - 2031	7,700,390	815,974	8,516,364
2032-2036	1,735,000	122,594	1,857,594
2037-2041	<u>50,000</u>	<u>4,194</u>	<u>54,194</u>
Total	<u>\$ 65,388,456</u>	<u>\$ 13,358,800</u>	<u>\$ 78,747,256</u>

The general fund has been designated as the source to repay the governmental-type general obligation debt outstanding as of June 30, 2016.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 9,397,206	\$ 4,334,333	\$ 13,731,539
2018	9,113,876	4,035,473	13,149,349
2019	9,080,646	3,721,907	12,802,553
2020	8,937,386	3,395,440	12,332,826
2021	8,735,439	3,110,679	11,846,118
2022 - 2026	40,874,313	11,454,206	52,328,519
2027 - 2031	35,085,702	5,877,211	40,962,913
2032 - 2036	15,538,312	2,122,804	17,661,116
2037-2041	<u>6,670,000</u>	<u>510,129</u>	<u>7,180,129</u>
Total	<u>\$ 143,432,880</u>	<u>\$ 38,562,182</u>	<u>\$ 181,995,062</u>

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2016 are as follows:

<u>Purpose</u>	<u>Amount</u>
Goodnow Wtr Pump Station	\$ 1,204,664
Grant/Pond St Sewer Replacement	2,228,086
188 Concord St	1,750,000
Birch Rd	38,079,446
N Concord St Water Main Replacement	3,910,583
Warren Road & Prindiville Water Main	2,989,476
Worc Rd Pump Stn Elimination Project Construction	15,220,000
Baiting Brook Sewer Improvements	6,268,000
Main Street Area Wtr Imp	1,150,585
Union Ave Wtr Mains	11,694,514
Union Ave Swr Improv	1,671,222
Elmfield Rd Swr Impr	1,520,409
Loring Arena Renovation	5,498,116
Roadway Improve 2016	1,665,232
Farley School Pool Area	1,140,923
Evergreen St Wtr Design	3,160,000
Speen & Chtuate Wtr	3,969,341
Railway Sewer Alig	9,810,000
Shawmut Terrace Pump	1,100,000
Worcester Road Design	1,202,217
Speen Street Area Design	1,410,000
Platform #1	1,203,715
FY17 Roads	4,200,000
FY17 Technology	1,000,000
FY17 Paving Strm	1,400,000
FY17 Swr Evl Survy	2,100,000
Indian Wtr Tank	9,980,000
Other (173 individual projects)	32,270,519
Total	<u>\$ 168,797,048</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	\$ 2,101,091	3.64%	\$ 76,480
MWRA - Sewer	\$ 3,797,261	2.88%	109,361
MBTA and MWRTA	\$ 5,634,750	0.27%	15,214
			<u>\$ 201,055</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, 2016 (in thousands):

Revised equalized valuation - FY2016		\$	<u>8,435,546</u>
Debt limit - 5% of equalized valuation		\$	421,777
Total debt outstanding	208,822		
Less: debt exempt from limit	<u>(98,561)</u>		<u>110,261</u>
Legal Debt Margin		\$	<u>311,516</u> *

* Excludes bond anticipation notes and authorized but unissued debt

F. Changes in General Long-Term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/15	Additions	Reductions	Total Balance 6/30/16	Less Current Portion	Equals Long-Term Portion 6/30/16
<u>Governmental Activities</u>						
Bonds payable	\$ 53,833	\$ 19,734	\$ (8,178)	\$ 65,389	\$ (10,337)	\$ 55,052
Net OPEB obligation	99,909	23,187	(12,871)	110,225	-	110,225
Net pension liability	86,793	13,955	(48)	100,700	-	100,700
Accrued employee benefits	3,716	111	-	3,827	(2,562)	1,265
Capital leases	-	5,966	-	5,966	(151)	5,815
Other liabilities	<u>2,106</u>	<u>1,714</u>	<u>(103)</u>	<u>3,717</u>	<u>(172)</u>	<u>3,545</u>
Totals	\$ <u>246,357</u>	\$ <u>64,667</u>	\$ <u>(21,200)</u>	\$ <u>289,824</u>	\$ <u>(13,222)</u>	\$ <u>276,602</u>

	Total Balance 7/1/15	Additions	Reductions	Total Balance 6/30/16	Less Current Portion	Equals Long-Term Portion 6/30/16
<u>Business-Type Activities</u>						
Bonds payable	\$ 125,396	\$ 26,133	\$ (8,096)	\$ 143,433	\$ (9,397)	\$ 134,036
Net OPEB obligation	3,577	484	(269)	3,792	-	3,792
Net pension liability	1,816	292	-	2,108	-	2,108
Accrued employee benefits	158	5	-	163	(149)	14
Other liabilities	<u>4,555</u>	<u>2,079</u>	<u>(249)</u>	<u>6,385</u>	<u>(332)</u>	<u>6,053</u>
Totals	\$ <u>135,502</u>	\$ <u>28,993</u>	\$ <u>(8,614)</u>	\$ <u>155,881</u>	\$ <u>(9,878)</u>	\$ <u>146,003</u>

15. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2016 (in thousands):

	<u>Entity-wide Basis</u>		<u>Fund Basis</u>			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Funds General Fund</u>	<u>Nonmajor</u>	<u>Proprietary Funds Water Sewer</u>	
Unavailable revenues	\$ -	\$ -	\$ 7,246	\$ 2,994	\$ -	\$ -
Gain on refunding	251	226	-	-	209	17
Pension related:						
Changes in proportion and differences between contributions and proportionate share of contributions	47	-	-	-	-	-
Total	\$ <u>298</u>	\$ <u>226</u>	\$ <u>7,246</u>	\$ <u>2,994</u>	\$ <u>209</u>	\$ <u>17</u>

16. Restricted Net Position

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

Permanent fund restricted net position is 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.

17. 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.

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, 2016:

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, and fund balance set aside to be used in the subsequent year's budget.

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, 2016:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Prepaid expenditures	\$ 75,622	\$ -	\$ 75,622
Petty cash	550	-	550
Nonexpendable permanent funds	<u>-</u>	<u>585,195</u>	<u>585,195</u>
Total Nonspendable	76,172	585,195	661,367
Restricted			
Debt service	49,432	-	49,432
Bonded projects			
Bowditch master plan	-	875,692	875,692
Other projects	-	638,614	638,614
Special revenue funds			
MA Dept of Energy resources	-	299,074	299,074
Framingham State College	-	250,000	250,000
State special ed reimb. fund	-	2,692,888	2,692,888
Sale of real estate	-	254,101	254,101
Government access cable television	-	1,070,833	1,070,833
School food service	-	875,909	875,909
Civic use - television	-	687,209	687,209
Tuition - blocks	-	818,064	818,064
Other special revenue funds	-	3,536,074	3,536,074
Expendable permanent funds			
Edgell Grove Cemetery trust	-	1,088,480	1,088,480
Scott trust fund	-	368,200	368,200
Other expendable permanent funds	<u>-</u>	<u>721,247</u>	<u>721,247</u>
Total Restricted	49,432	14,176,385	14,225,817
Committed			
Articles	363,238	-	363,238
Open space stabilization	145,357	-	145,357
Conservation	77,149	-	77,149
Capital stabilization	3,705,897	-	3,705,897
Capital project funds	<u>-</u>	<u>25,247</u>	<u>25,247</u>
Total Committed	4,291,641	25,247	4,316,888
Assigned			
Encumbered for:			
General government	143,914	-	143,914
Public safety	157,073	-	157,073
Public works	175,278	-	175,278
Employee benefits	592,966	-	592,966
Other	919,017	-	919,017
For next year's expenditures	<u>7,401,893</u>	<u>-</u>	<u>7,401,893</u>
Total Assigned	9,390,141	-	9,390,141
Unassigned ⁽¹⁾	<u>32,987,264</u>	<u>(8,470,786)</u>	<u>24,516,478</u>
Total Unassigned	<u>32,987,264</u>	<u>(8,470,786)</u>	<u>24,516,478</u>
Total Fund Balance	<u>\$ 46,794,650</u>	<u>\$ 6,316,041</u>	<u>\$ 53,110,691</u>

⁽¹⁾ Includes General Stabilization fund balance of \$14,147,341.

18. 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 over-expend 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:

Unassigned GAAP basis balance	\$	32,987,264
Less: General Stabilization		(14,147,341)
Tax refund estimate		<u>5,078,494</u>
Statutory (UMAS) Balance	\$	<u><u>23,918,417</u></u>

19. Subsequent Events

Debt

Subsequent to June 30, 2016, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General obligation	\$ 24,533,000	2.00-4.00%	12/08/16	11/01/36
General obligation - refunding	\$ 1,640,010	2.00-4.00%	12/08/16	11/01/25
General obligation - refunding	\$ 2,531,990	2.00-4.00%	12/08/16	11/01/27
Bond anticipation note	\$ 3,019,766	2.00%	12/09/16	12/08/17

The use of the general obligation bonds was to provide long term funding for numerous Town, School, Water and Sewer capital projects.

20. Commitments and Contingencies

Outstanding Legal Issues - On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues 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.

Abatements - There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to the Town's counsel, the probable outcome of these cases at the present time is indeterminable.

21. 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 Position 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, 2014, the actuarial valuation date, approximately 1,495 retirees and 1,695 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 2016 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, 2016, 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, 2014.

Annual Required Contribution (ARC)	\$ 23,411,718
Interest on net OPEB obligation	4,147,951
Adjustment to ARC	<u>(3,888,230)</u>
Annual OPEB cost	23,671,439
Contributions made	<u>(13,140,005)</u>
Increase in net OPEB obligation	10,531,434
Net OPEB obligation - beginning of year	<u>103,485,097</u>
Net OPEB obligation - end of year	<u>\$ 114,016,531</u>

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>
2016	\$ 23,671,439	55.5%	\$ 114,016,531
2015	\$ 22,347,704	57.7%	\$ 103,485,097
2014	\$ 22,838,955	53.5%	\$ 94,036,071
2013	\$ 22,589,477	57.1%	\$ 83,421,437
2012	\$ 27,009,304	41.6%	\$ 73,728,050
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, 2014, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 288,645,545
Actuarial value of plan assets (7/1/14)	<u>(2,516,635)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 286,128,910</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.9%</u>
Covered payroll (active plan members)	<u>\$ 111,670,636</u>
UAAL as a percentage of covered payroll	<u>256%</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 OPEB 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, 2014 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 8% 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 4.0%.

22. Retirement System

The Town follows the provisions of GASB Statement No. 67 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

A. Plan Description

The System is a member of the Massachusetts Contributory Retirement Systems and is governed by Chapter 32 of the Massachusetts General Laws. Because of the significance of its operational and financial relationship with the Town, the System is included as a pension trust fund in the Town's basic financial systems.

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department), the Framingham Housing Authority, and MetroWest Regional Transit are members of the Framingham Contributory Retirement System (the System), a cost sharing, multiple employer public employee retirement system (PERS). Eligible employees must participate in the System. 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 System, contribution percentages and benefits paid.

The System is governed by a five-member board. The five members include two appointed by the town, two elected by the members and retirees, and a fifth member chosen by the other four members with the approval of the Public Employee Retirement Administration Commission. The System Retirement Board does not have the authority to amend benefit provisions.

Membership of each plan consisted of the following at June 30, 2016:

Retirees and beneficiaries receiving benefits	806
Terminated plan members entitled to but not yet receiving benefits	246
Active plan members	<u>1,110</u>
Total	<u><u>2,162</u></u>
Number of participating employers	3

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming

members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4, have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Participants Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on after January 1, 1979 contribute an additional 2% on all gross regular compensation 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%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2016 was \$12,407,731 which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

The accounting policies of the System as reflected in the accompanying financial statements for the year ended June 30, 2016 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the System are summarized below:

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized as revenue in the period in which the members provide services to the employer. 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.

Investments

Investment Policy

Investments are reported at fair value in accordance with PERAC requirements. System assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 0.55%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

C. Net Pension Liability of Participating Employers

The net pension liability is based on an actuarial valuation dated January 1, 2014 and rolled forward to December, 31, 2015.

The components of the net pension liability of the participating employers at June 30, 2016 were as follows (in thousands):

Net Pension Liability of Employers

Total pension liability	\$ 365,797
Plan fiduciary net position	<u>(257,794)</u>
Employers' net pension liability	<u>\$ 108,003</u>
Plan fiduciary net position as a percentage of total pension liability	70.5%

Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation Date	January 1, 2014 rolled forward to December 31, 2015
Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.25% for Group 1 and 4.75% for Group 4
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3% on first \$12,000

Actuarial valuation of the ongoing Systems involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study, dated January 1, 2014, which was for the period January 1, 2013 through December 31, 2013.

Mortality rates were based on pre-retirement rates that reflect the RP-2000 Employees table projected 22 years with Scale AA (gender distinct). Post retirement rates reflect the RP-200 Healthy Annuitant table projected 17 years with Scale AA (gender distinct). For disabled retirees, this table is set forward 3 years for males.

Target Allocations

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	18.0%	7.6%
International equity	22.0%	8.6%
Fixed Income	19.0%	5.2%
Private equity	10.0%	9.5%
Real estate	10.0%	6.5%
Timber/Natural Resources	4.0%	6.8%
Hedge Funds	9.0%	6.8%
Private Debt	4.0%	8.0%
Portfolio Completion Strategies	4.0%	N/A
Total	<u>100.00%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate (in thousands):

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
June 30, 2015	\$ 140,565	\$ 102,808	\$ 70,225

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

At June 30, 2016, the Town reported a liability of \$102,808,002 for its proportionate share of the net pension liability. The net pension liability

was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2015, the Town's proportion was 95.19 percent.

For the year ended June 30, 2016, the Town recognized pension expense of \$12,583,000. In addition, the Town reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 14,465,000	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	-	<u>47,016</u>
Total	<u>\$ 14,465,000</u>	<u>\$ 47,016</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<u>Net Deferred Outflows (Inflows) of Resources</u>
2017	\$ 3,633,000
2018	3,633,000
2019	3,633,000
2020	<u>3,518,984</u>
Total	<u>\$ 14,417,984</u>

23. Massachusetts Teachers' Retirement System (MTRS)

A. Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans. MTRS is managed by the Commonwealth on behalf of

municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

B. Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

C. Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

D. Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015. This valuation used the following assumptions:

- (a) 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct)
 - Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct)
 - Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant table projected with Scale BB and a base year of 2014 set forward 4 years.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target

asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return 2015</u>
Global equity	40.0%	6.9%
Core fixed income	13.0%	2.4%
Private equity	10.0%	8.5%
Real estate	10.0%	6.5%
Value added fixed income	10.0%	5.8%
Hedge funds	9.0%	5.8%
Portfolio completion strategies	4.0%	5.5%
Timber/natural resources	4.0%	6.6%
Total	<u>100.0%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

<u>Fiscal Year Ended</u>	<u>1% Decrease to 6.5%</u>	<u>Current Discount Rate 7.5%</u>	<u>1% Increase to 8.5%</u>
June 30, 2015	\$ 25,449,000	\$ 20,489,643	\$ 16,221,000

G. Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to

be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

H. Town Proportions

In fiscal year 2015 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability and pension expense was \$214,722,934 and \$17,415,941 respectively, based on a proportionate share of 1.047958%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide Statement of Activities

24. 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 \$150,000 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, 2016 are as follows:

	<u>Dental Coverage</u>
Claims liability, beginning of year	\$ 3,667,243
Claims incurred/recognized in fiscal year 2016	6,684,205
Claims paid in fiscal year 2016	<u>(3,467,123)</u>
Claims liability, end of year	<u>\$ 6,884,325</u>

The \$6,884,325 estimated liability for claims incurred but not reported includes only an estimate for known loss events expected to later be presented as claims. The Town is unable to estimate the amount of unknown loss events

expected to become claims and expected future developments on claims already reported.

25. 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.

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

June 30, 2016

(Unaudited)

(Amounts Expressed in thousands)

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%
07/01/12	\$ -	\$ 327,067	\$ 327,067	0.0%	\$ 104,423	313%
07/01/14	\$ 2,516	\$ 288,645	\$ 286,129	0.9%	\$ 111,671	256%

See Independent Auditors' Report.

TOWN OF FRAMINGHAM, MASSACHUSETTS

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016
(Unaudited)

Framingham Retirement System

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2016	95.19%	\$102,808,002	\$ 55,714,767	184.53%	70.50%
June 30, 2015	95.11%	\$88,609,000	\$ 55,714,767	159.04%	73.60%

Massachusetts Teachers' Retirement System

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2016	1.047958%	\$ -	\$ 214,722,934	\$ 214,722,934	\$ 66,428,884	0.00%	55.38%
June 30, 2015	1.031853%	\$ -	\$ 164,027,046	\$ 164,027,046	\$ 63,322,829	0.00%	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditors' Report.

TOWN OF FRAMINGHAM, MASSACHUSETTS

**SCHEDULE OF PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2016
(Unaudited)**

Framingham Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2016	\$ 12,407,731	\$ 12,407,731	\$ -	\$ 55,714,767	22.27%
June 30, 2015	\$ 11,806,955	\$ 11,806,955	\$ -	\$ 55,714,767	21.19%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditors' Report.

**TOWN OF FRAMINGHAM, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM**

Schedule of Changes in the Net Pension Liability

(Unaudited)
(in thousands)

	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 8,051	\$ 7,704
Interest on unfunded liability - time value of \$	27,088	26,082
Benefit payments, including refunds of member contributions	<u>(21,633)</u>	<u>(20,678)</u>
Net change in total pension liability	13,506	13,108
Total pension liability - beginning	<u>352,291</u>	<u>339,183</u>
Total pension liability - ending (a)	<u>\$ 365,797</u>	<u>\$ 352,291</u>
 Plan fiduciary net position		
Contributions - employer	\$ 13,103	\$ 12,470
Contributions - member	6,086	5,653
Net investment income	1,423	18,194
Benefit payments, including refunds of member contributions	(21,633)	(20,678)
Administrative expense	(327)	(351)
Other	<u>15</u>	<u>23</u>
Net change in plan fiduciary net position	(1,333)	15,311
Plan fiduciary net position - beginning	<u>259,127</u>	<u>243,816</u>
Plan fiduciary net position - ending (b)	<u>\$ 257,794</u>	<u>\$ 259,127</u>
 Net pension liability (asset) - ending (a-b)	<u>\$ 108,003</u>	<u>\$ 93,164</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**TOWN OF FRAMINGHAM, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM**

Schedules of Net Pension Liability, Contributions, and Investment Returns

(Unaudited)
(in thousands)

Schedule of Net Pension Liability

	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 365,797	\$ 352,291
Plan fiduciary net position	<u>(257,794)</u>	<u>(259,127)</u>
Net pension liability (asset)	<u>\$ 108,003</u>	<u>\$ 93,164</u>
Plan fiduciary net position as a percentage of the total pension liability	70.5%	73.6%
Covered payroll	\$ 55,766	\$ 55,766
Participating employer net pension liability (asset) as a percentage of covered payroll	193.7%	167.1%

Schedule of Contributions

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 13,035	\$ 12,414
Contributions in relation to the actuarially determined contribution	<u>13,035</u>	<u>12,414</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 55,766	\$ 55,766
Contributions as a percentage of covered payroll	23.37%	22.26%

Schedule of Investment Returns

Year Ended December 31

	<u>2015</u>	<u>2014</u>
Annual money weighted rate of return, net of investment expense	0.55%	7.69%

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Additional years will be displayed as they become available.*

See Independent Auditors' Report.