

**TOWN OF  
FRAMINGHAM, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council  
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, 2017 (except for the Framingham Contributory Retirement System which is as of and for the year ended December 31, 2016), 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, Massachusetts, as of June 30, 2017 (except for the Framingham Contributory Retirement System which is as of and for the year ended December 31, 2016), 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, and the Pension and OPEB schedules appearing on pages 72 to 77 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 29, 2018 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 29, 2018

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

As management of the Town, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017.

### **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 Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions 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, culture and recreation, employee benefits, interest, and intergovernmental. The business-type activities include utility services.

**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 Town'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 fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for utility operations, which is considered to be a major fund.

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.

**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 and deferred outflows exceeded liabilities and deferred inflows by \$(123,791,010) (i.e., net position), a change of \$(12,599,188) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$55,141,095, a change of \$2,030,404 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$32,318,106, a change of \$(669,158) in comparison to the prior year, while committed fund balance was \$6,754,078, a change of \$2,462,437 in comparison to the prior year. The decrease in unassigned fund balance and increase in committed fund balance primarily resulted from the Town appropriating free cash to fund the special education reserve fund as well as continued funding of the capital stabilization fund.

## C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

|                                  | <u>NET POSITION</u>            |                         |                                 |                      |                         |                         |
|----------------------------------|--------------------------------|-------------------------|---------------------------------|----------------------|-------------------------|-------------------------|
|                                  | <u>Governmental Activities</u> |                         | <u>Business-Type Activities</u> |                      | <u>Total</u>            |                         |
|                                  | <u>2017</u>                    | <u>2016</u>             | <u>2017</u>                     | <u>2016</u>          | <u>2017</u>             | <u>2016</u>             |
| Current and other assets         | \$ 107,027,712                 | \$ 105,871,787          | \$ 36,260,671                   | \$ 32,859,506        | \$ 143,288,383          | \$ 138,731,293          |
| Capital assets                   | <u>216,827,123</u>             | <u>210,834,577</u>      | <u>222,145,179</u>              | <u>209,803,370</u>   | <u>438,972,302</u>      | <u>420,637,947</u>      |
| Total assets                     | 323,854,835                    | 316,706,364             | 258,405,850                     | 242,662,876          | 582,260,685             | 559,369,240             |
| Deferred outflows of resources   | 27,428,029                     | 14,431,568              | 570,372                         | 296,533              | 27,998,401              | 14,728,101              |
| Long-term liabilities            | 505,659,562                    | 475,090,423             | 166,832,978                     | 157,885,549          | 672,492,540             | 632,975,972             |
| Notes payable                    | 9,256,454                      | 5,202,473               | 14,310,497                      | 11,016,899           | 23,566,951              | 16,219,372              |
| Other liabilities                | <u>31,759,927</u>              | <u>32,180,943</u>       | <u>4,915,011</u>                | <u>3,388,110</u>     | <u>36,674,938</u>       | <u>35,569,053</u>       |
| Total liabilities                | 546,675,943                    | 512,473,839             | 186,058,486                     | 172,290,558          | 732,734,429             | 684,764,397             |
| Deferred inflows of resources    | 793,418                        | 297,966                 | 522,249                         | 226,800              | 1,315,667               | 524,766                 |
| Net position:                    |                                |                         |                                 |                      |                         |                         |
| Net investment in capital assets | 142,321,595                    | 140,243,648             | 56,713,243                      | 57,138,257           | 199,034,838             | 197,381,905             |
| Restricted                       | 13,082,676                     | 13,247,277              | -                               | -                    | 13,082,676              | 13,247,277              |
| Unrestricted                     | <u>(351,590,768)</u>           | <u>(335,124,798)</u>    | <u>15,682,244</u>               | <u>13,303,794</u>    | <u>(335,908,524)</u>    | <u>(321,821,004)</u>    |
| Total net position               | <u>\$ (196,186,497)</u>        | <u>\$ (181,633,873)</u> | <u>\$ 72,395,487</u>            | <u>\$ 70,442,051</u> | <u>\$ (123,791,010)</u> | <u>\$ (111,191,822)</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 \$(123,791,010), a change of \$(12,599,188) from the prior year. The net position deficit results from recording the Town's net pension liability (GASB 68) and the net OPEB liability (GASB 75).

The largest portion of net position, \$199,034,838, 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, \$13,082,676, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position deficit of \$(335,908,524) primarily results from the Town's unfunded net pension liability and net OPEB liability, as noted earlier.

**CHANGES IN NET POSITION**

|  | Governmental       |                    | Business-Type     |                   | Total              |                    |
|--|--------------------|--------------------|-------------------|-------------------|--------------------|--------------------|
|  | Activities         |                    | Activities        |                   |                    |                    |
|  | 2017               | 2016               | 2017              | 2016              | 2017               | 2016               |
| <b>Revenues:</b>   |                    |                    |                   |                   |                    |                    |
| Program revenues:  |                    |                    |                   |                   |                    |                    |
| Charges for services   | \$ 19,469,046      | \$ 22,680,915      | \$ 47,258,925     | \$ 46,422,409     | \$ 66,727,971      | \$ 69,103,324      |
| Operating grants and contributions                           | 86,330,762         | 77,244,699         | -                 | -                 | 86,330,762         | 77,244,699         |
| Capital grants and contributions                             | 1,694,551          | 2,419,388          | 1,144,115         | 23,726            | 2,838,666          | 2,443,114          |
| General revenues:  |                    |                    |                   |                   |                    |                    |
| Property taxes   | 180,100,958        | 175,056,162        | -                 | -                 | 180,100,958        | 175,056,162        |
| Excises  | 8,710,932          | 8,094,079          | -                 | -                 | 8,710,932          | 8,094,079          |
| Penalties, interest and other taxes                          | 4,497,309          | 5,019,170          | -                 | -                 | 4,497,309          | 5,019,170          |
| Grants and contributions not restricted to specific programs | 9,914,831          | 9,524,657          | -                 | -                 | 9,914,831          | 9,524,657          |
| Investment income  | 1,033,610          | 1,094,565          | 36,042            | 37,160            | 1,069,652          | 1,131,725          |
| Miscellaneous  | 2,536,240          | 3,856,710          | 254,186           | 532,033           | 2,790,426          | 4,388,743          |
| <b>Total revenues</b>  | <b>314,288,239</b> | <b>304,990,345</b> | <b>48,693,268</b> | <b>47,015,328</b> | <b>362,981,507</b> | <b>352,005,673</b> |
| <b>Expenses:</b>   |                    |                    |                   |                   |                    |                    |
| General government   | 11,352,917         | 17,158,777         | -                 | -                 | 11,352,917         | 17,158,777         |
| Public safety  | 37,447,430         | 36,330,789         | -                 | -                 | 37,447,430         | 36,330,789         |
| Education  | 185,598,376        | 172,179,545        | -                 | -                 | 185,598,376        | 172,179,545        |
| Public works   | 18,723,748         | 16,589,317         | -                 | -                 | 18,723,748         | 16,589,317         |
| Human services   | 1,796,363          | 1,945,884          | -                 | -                 | 1,796,363          | 1,945,884          |
| Culture and recreation                                       | 8,622,734          | 8,575,497          | -                 | -                 | 8,622,734          | 8,575,497          |
| Employee benefits  | 54,785,744         | 51,825,197         | -                 | -                 | 54,785,744         | 51,825,197         |
| Interest   | 3,290,680          | 2,777,303          | -                 | -                 | 3,290,680          | 2,777,303          |
| Intergovernmental  | 7,222,871          | 6,570,346          | -                 | -                 | 7,222,871          | 6,570,346          |
| Utility services   | -                  | -                  | 46,739,832        | 46,309,170        | 46,739,832         | 46,309,170         |
| <b>Total expenses</b>  | <b>328,840,863</b> | <b>313,952,655</b> | <b>46,739,832</b> | <b>46,309,170</b> | <b>375,580,695</b> | <b>360,261,825</b> |
| Change in net position                                       | (14,552,624)       | (8,962,310)        | 1,953,436         | 706,158           | (12,599,188)       | (8,256,152)        |
| Net position - beginning of year, as restated                | (181,633,873)      | (172,671,563)      | 70,442,051        | 69,735,893        | (111,191,822)      | (102,935,670)      |
| Net position - end of year                                   | \$ (196,186,497)   | \$ (181,633,873)   | \$ 72,395,487     | \$ 70,442,051     | \$ (123,791,010)   | \$ (111,191,822)   |

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(14,552,624). Key elements of this change are as follows:

|  |                               |
|--|-------------------------------|
| General fund revenues exceeding expenditures                   | \$ 1,562,027                  |
| Massachusetts School Building Authority accrual                | (2,129,672)                   |
| Depreciation in excess of debt service principal paydown       | (4,458,077)                   |
| Increase in net OPEB liability                                 | (12,099,056)                  |
| Increase in net pension liability                              | (17,410,612)                  |
| Increase in deferred outflows related to net pension liability | 12,653,181                    |
| Capital assets acquired from current year revenues             | 9,181,040                     |
| Other  | <u>(1,851,455)</u>            |
| <b>Total</b>   | <b>\$ <u>(14,552,624)</u></b> |

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$1,953,436.

The increase in the net position for the business-type activity results from current depreciation (not funded in the rates) being lower than long-term debt principal payments (funded in the rates) as well as capital grants and contributions.

**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 \$55,141,095, a change of \$2,030,404 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 \$32,318,106 (including \$14,963,130 of general stabilization funds), while total fund balance was \$51,450,979. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

| <u>General Fund</u>     | <u>6/30/17</u> | <u>6/30/16</u> | <u>Change</u> | <u>% of<br/>Total General<br/>Fund Expenditures</u> |
|-------------------------|----------------|----------------|---------------|---|
| Unassigned fund balance | \$ 32,318,106  | \$ 32,987,264  | \$ (669,158)  | 11.5%   |
| Total fund balance      | \$ 51,450,979  | \$ 46,794,650  | \$ 4,656,329  | 18.3%   |

The total fund balance of the general fund changed by \$4,656,329 during the current fiscal year. Key factors in this change are as follows:

|  |                     |
|--|---------------------|
| Use of free cash                       | \$ (6,801,893)      |
| Transfers to stabilization funds       | <u>1,286,944</u>    |
| Subtotal                               | (5,514,949)         |
| Revenues greater than budget           | 1,642,799           |
| Expenditures less than budget          | 6,483,883           |
| Change in encumbrances                 | 931,829             |
| Stabilization income, net of transfers | 840,446             |
| Other                                  | <u>272,321</u>      |
| Total                                  | <u>\$ 4,656,329</u> |

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

|                          | <u>6/30/17</u>       | <u>6/30/16</u>       | <u>Change</u>       |
|--------------------------|----------------------|----------------------|---------------------|
| General stabilization    | \$ 14,963,130        | \$ 14,147,341        | \$ 815,789          |
| Open space stabilization | 145,065              | 145,357              | (292)               |
| Capital stabilization    | 5,017,946            | 3,705,897            | 1,312,049           |
| Conservation             | <u>76,993</u>        | <u>77,149</u>        | <u>(156)</u>        |
| Total                    | <u>\$ 20,203,134</u> | <u>\$ 18,075,744</u> | <u>\$ 2,127,390</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 \$15,682,244, a change of \$2,378,450 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 \$1,560,929, primarily due to a change in the snow and ice and the school department's appropriation. The additional appropriations were primarily funded by an increase to the tax levy and transfers from other funds.

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$438,972,302 (net of accumulated depreciation), a change of \$18,334,355 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:

| <u>CAPITAL ASSETS</u><br>(net of depreciation)<br>June 30, 2017 and 2016 |                            |                       |                             |                       |                       |                       |
|--|----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
|  | Governmental<br>Activities |                       | Business-Type<br>Activities |                       | Total                 |                       |
|  | <u>2017</u>                | <u>2016</u>           | <u>2017</u>                 | <u>2016</u>           | <u>2017</u>           | <u>2016</u>           |
| Land   | \$ 20,032,103              | \$ 20,032,103         | \$ 1,136,233                | \$ 1,136,233          | \$ 21,168,336         | \$ 21,168,336         |
| Buildings and improvements   | 116,802,912                | 117,801,217           | 34,781,585                  | 32,875,285            | 151,584,497           | 150,676,502           |
| Vehicles, machinery,<br>and equipment                                    | 22,926,261                 | 22,744,821            | 4,925,609                   | 4,427,720             | 27,851,870            | 27,172,541            |
| Infrastructure   | 51,545,306                 | 44,735,895            | 168,979,634                 | 159,451,406           | 220,524,940           | 204,187,301           |
| Construction in progress   | <u>5,520,541</u>           | <u>5,520,541</u>      | <u>12,322,118</u>           | <u>11,912,726</u>     | <u>17,842,659</u>     | <u>17,433,267</u>     |
| Total  | <u>\$ 216,827,123</u>      | <u>\$ 210,834,577</u> | <u>\$ 222,145,179</u>       | <u>\$ 209,803,370</u> | <u>\$ 438,972,302</u> | <u>\$ 420,637,947</u> |

Significant capital asset activity for fiscal year 2017 included (in thousands):

- At the 2009 Annual Town Meeting, \$40,337 was appropriated to construct the Birch Road water treatment center. The project proposes to re-activate the Birch Road wells which are located in the northeast corner of Framingham. The project will provide the Town with an independent and dependable source of drinking water. The Town has been working with the United States Geological Survey (USGS) to refine a sophisticated groundwater model. The Town had previously appropriated \$5,530. In total, \$7,684 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 the Clean Water State Revolving Fund loan program for which \$34,814 has been issued, which includes \$4,461 of ARRA funding. To date, \$40,394 has been expended on Phase I.
- At the 2010 Annual Town Meeting, \$17,967 was voted for additional water capital projects. Currently, \$4,734 has been expended from the \$9,619 appropriated for North Concord Street water mains project. Further, \$5,959 has been expended from the \$6,263 appropriation for Grant and Pond Streets project and is substantially complete. \$1,330 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, \$5,415 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, \$2,671 and \$1,757 was expended, respectively, and are substantially complete. In addition, \$6,210 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 \$1,898 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 \$1,642 and \$2,307, respectively. \$2,776 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 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 Prindville 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, \$300 has been expended. Design costs of \$820 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 \$1,330 has been expended, respectively, and are complete. \$18,016 was appropriated for water capital and major equipment purchases. \$2,760 and \$2,647 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 \$846 has been expended; \$1,880 appropriated for the Union Avenue sewer improvements, for which \$1,335 was expended; and \$1,585 appropriated for the Elmfield Road sewer improvements, of which \$1,014 has been expended.
- At the 2015 Annual Town Meeting, \$19,523 was appropriated for a variety of Town capital and major equipment projects. \$1,090 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. \$4,487 was expended of the \$4,500 appropriated for Roadway Improvements and is substantially completed. The \$1,155 appropriated for School Technology Upgrades has been completed. The Farley Building Repairs appropriated for \$1,207 was completed with an additional \$25 transfer from another project within the article. \$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. \$2,367 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 started and \$40 has been expended. \$272 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. \$801 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 for which a contract has been signed. \$2,912 has been expended from the \$4,200 appropriation for Roadway Improvements. The appropriations of \$1,000 for School Technology Upgrades and \$1,400 for the Paving, Storm Water and School Field Repairs were substantially completed with expenditures of \$981 and \$1,383, respectively. 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 purchases, of which the \$2,100 appropriation for Phase 1 of Sewer System Evaluation Survey Defects and Repairs has had \$981 of expenditures and the appropriation of \$9,980 for Construction of Indian Head Water Tank Replacement has had expenditures of \$1,126.
- At the 2017 Annual Town Meeting, \$17,757 was appropriated for a variety of Town capital and major equipment projects, the largest being \$2,450 for Village Hall design and construction, \$5,300 for Roadway Improvements and \$3,050 for Intersection Improvements for Edgell, Water and Edmands Roads. \$13,677 was appropriated for Water and Sewer capital and major equipment purchases, the largest being \$2,234 for Interchange 12 Sewer Improvement Upsizing and Risks Reduction, \$6,135 for Eastleigh, Little Farms and Shawmut Pump Station replacements.

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 \$250,429,174, 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:

| <u>OUTSTANDING DEBT</u>                              |                      |                      |                       |                       |                       |                       |
|--|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| General Obligation Bonds and Bond Anticipation Notes |                      |                      |                       |                       |                       |                       |
| June 30, 2017 and 2016                               |                      |                      |                       |                       |                       |                       |
|  | <u>Governmental</u>  |                      | <u>Business-Type</u>  |                       | <u>Total</u>          |                       |
|  | <u>Activities</u>    |                      | <u>Activities</u>     |                       |                       |                       |
|  | <u>2017</u>          | <u>2016</u>          | <u>2017</u>           | <u>2016</u>           | <u>2017</u>           | <u>2016</u>           |
| General obligation bonds                             | \$ 69,048,201        | \$ 69,105,755        | \$ 157,814,022        | \$ 149,817,997        | \$ 226,862,223        | \$ 218,923,752        |
| Bond anticipation notes                              | <u>9,256,454</u>     | <u>5,202,473</u>     | <u>14,310,497</u>     | <u>11,016,899</u>     | <u>23,566,951</u>     | <u>16,219,372</u>     |
| Total  | <u>\$ 78,304,655</u> | <u>\$ 74,308,228</u> | <u>\$ 172,124,519</u> | <u>\$ 160,834,896</u> | <u>\$ 250,429,174</u> | <u>\$ 235,143,124</u> |

**Change in credit rating.** The Town 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 3.7% (June), which is up from the 3.3% rate from June 2016. This compares to the State's unemployment rate of 3.8% and the national rate of 4.3%
- 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 2018 fiscal year.
- During the current fiscal year, unassigned fund balance in the general fund decreased to \$32,318. In addition, the Town of Framingham has appropriated \$9,744 of "free cash" to finance the FY18 general fund operating budget, of which \$321 for Stabilization and \$5,010 to a Capital Stabilization fund. In addition, \$1,000 of Free Cash was appropriated to create a Reserve Fund for unanticipated or unbudgeted Special Education, out-of-district tuition or transportation costs.
- In FY17, the Town transferred \$271 into the Stabilization fund. The Stabilization fund is currently maintained at 5% of the Town's operating budget. The Capital Stabilization fund established in FY16 has a balance of \$5,018.
- The \$14,144 of free cash certified by the Massachusetts Department of Revenue as of July 1, 2017 is available, subject to appropriation, to finance FY18 and FY19 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, 2017

|  | Governmental<br><u>Activities</u> | Business-Type<br><u>Activities</u> | <u>Total</u>            |
|--|-----------------------------------|------------------------------------|-------------------------|
| <b>Assets</b>  |                                   |                                    |                         |
| Current:   |                                   |                                    |                         |
| Cash and short-term investments                                | \$ 63,732,723                     | \$ 19,387,380                      | \$ 83,120,103           |
| Investments  | 26,188,852                        | -                                  | 26,188,852              |
| Receivables, net of allowance for uncollectibles:              |                                   |                                    |                         |
| Property taxes   | 1,889,299                         | -                                  | 1,889,299               |
| Motor vehicle excise   | 1,172,866                         | -                                  | 1,172,866               |
| User fees  | 1,001,795                         | 15,244,068                         | 16,245,863              |
| Departmental   | 181,868                           | -                                  | 181,868                 |
| Intergovernmental  | 7,083,670                         | 73,192                             | 7,156,862               |
| Assessments  | -                                 | 2,786                              | 2,786                   |
| Other assets   | 146,601                           | -                                  | 146,601                 |
| Noncurrent:  |                                   |                                    |                         |
| Receivables, net of allowance for uncollectibles:              |                                   |                                    |                         |
| Tax title  | 1,266,596                         | -                                  | 1,266,596               |
| Departmental   | 926,800                           | -                                  | 926,800                 |
| Intergovernmental  | 3,436,642                         | 909,575                            | 4,346,217               |
| Assessments  | -                                 | 643,670                            | 643,670                 |
| Land and construction in progress                              | 25,552,644                        | 13,458,351                         | 39,010,995              |
| Other capital assets, net<br>of accumulated depreciation       | 191,274,479                       | 208,686,828                        | 399,961,307             |
| <b>Deferred Outflows of Resources</b>                          |                                   |                                    |                         |
| Related to pensions  | 27,252,629                        | 570,372                            | 27,823,001              |
| Other  | 175,400                           | -                                  | 175,400                 |
| <b>Total Assets and Deferred<br/>Outflows of Resources</b>     | <b>351,282,864</b>                | <b>258,976,222</b>                 | <b>610,259,086</b>      |
| <b>Liabilities</b>   |                                   |                                    |                         |
| Current:   |                                   |                                    |                         |
| Warrants payable   | 9,061,186                         | 4,098,276                          | 13,159,462              |
| Accounts payable   | 63,188                            | 14,887                             | 78,075                  |
| Accrued payroll  | 11,212,460                        | 114,696                            | 11,327,156              |
| Accrued liabilities  | 5,717,069                         | 687,152                            | 6,404,221               |
| Tax refunds payable  | 5,078,494                         | -                                  | 5,078,494               |
| Notes payable  | 9,256,454                         | 14,310,497                         | 23,566,951              |
| Other liabilities  | 627,530                           | -                                  | 627,530                 |
| Current portion of long-term liabilities:                      |                                   |                                    |                         |
| Bonds payable  | 11,094,821                        | 11,696,612                         | 22,791,433              |
| Compensated absences   | 2,562,017                         | 153,009                            | 2,715,026               |
| Capital leases   | 486,579                           | -                                  | 486,579                 |
| Noncurrent:  |                                   |                                    |                         |
| Bonds payable, net of current portion                          | 57,953,380                        | 146,117,410                        | 204,070,790             |
| Net pension liability  | 118,111,049                       | 2,471,952                          | 120,583,001             |
| Net OPEB liability   | 307,590,109                       | 6,379,765                          | 313,969,874             |
| Compensated absences, net of current portion                   | 1,380,228                         | 14,230                             | 1,394,458               |
| Capital leases, net of current portion                         | 6,481,379                         | -                                  | 6,481,379               |
| <b>Deferred Inflows of Resources</b>                           |                                   |                                    |                         |
| Related to pensions  | 477,996                           | 10,004                             | 488,000                 |
| Other  | 315,422                           | 512,245                            | 827,667                 |
| <b>Total Liabilities and Deferred<br/>Inflows of Resources</b> | <b>547,469,361</b>                | <b>186,580,735</b>                 | <b>734,050,096</b>      |
| <b>Net Position</b>  |                                   |                                    |                         |
| Net investment in capital assets                               | 142,321,595                       | 56,713,243                         | 199,034,838             |
| Restricted for:  |                                   |                                    |                         |
| Grants and other statutory restrictions                        | 10,267,168                        | -                                  | 10,267,168              |
| Permanent funds:   |                                   |                                    |                         |
| Nonexpendable  | 523,192                           | -                                  | 523,192                 |
| Expendable   | 2,292,316                         | -                                  | 2,292,316               |
| Unrestricted   | (351,590,768)                     | 15,682,244                         | (335,908,524)           |
| <b>Total Net Position</b>                                      | <b>\$ (196,186,497)</b>           | <b>\$ 72,395,487</b>               | <b>\$ (123,791,010)</b> |

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



TOWN OF FRAMINGHAM, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

|  | General<br>Fund      | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|-----------------------------------|--------------------------------|
| <b>Assets</b>  |                      |                                   |                                |
| Cash and short-term investments  | \$ 47,624,009        | \$ 10,170,747                     | \$ 57,794,756                  |
| Investments  | 24,078,998           | 2,109,854                         | 26,188,852                     |
| Receivables:   |                      |                                   |                                |
| Property taxes   | 4,616,626            | -                                 | 4,616,626                      |
| Motor vehicle excise   | 3,123,508            | -                                 | 3,123,508                      |
| User fees  | -                    | 1,001,795                         | 1,001,795                      |
| Departmental and other   | 30,665               | 926,800                           | 957,465                        |
| Intergovernmental  | 266,744              | 4,687,255                         | 4,953,999                      |
| Other assets   | <u>15,874</u>        | <u>130,727</u>                    | <u>146,601</u>                 |
| Total Assets   | <u>\$ 79,756,424</u> | <u>\$ 19,027,178</u>              | <u>\$ 98,783,602</u>           |
| <b>Liabilities</b>   |                      |                                   |                                |
| Warrants payable   | \$ 4,647,652         | \$ 4,391,061                      | \$ 9,038,713                   |
| Accounts payable   | -                    | 63,188                            | 63,188                         |
| Accrued payroll  | 10,558,478           | 653,982                           | 11,212,460                     |
| Accrued liabilities  | 2,395                | -                                 | 2,395                          |
| Tax refunds payable  | 5,078,494            | -                                 | 5,078,494                      |
| Notes payable  | -                    | 9,256,454                         | 9,256,454                      |
| Other liabilities  | <u>586,823</u>       | <u>40,707</u>                     | <u>627,530</u>                 |
| Total Liabilities  | 20,873,842           | 14,405,392                        | 35,279,234                     |
| <b>Deferred Inflows of Resources</b>                                   |                      |                                   |                                |
| Unavailable revenues   | 7,431,603            | 931,670                           | 8,363,273                      |
| <b>Fund Balances</b>   |                      |                                   |                                |
| Nonspendable   | 34,909               | 523,192                           | 558,101                        |
| Restricted   | 45,313               | 14,550,129                        | 14,595,442                     |
| Committed  | 6,754,078            | 196,457                           | 6,950,535                      |
| Assigned   | 12,298,573           | -                                 | 12,298,573                     |
| Unassigned   | <u>32,318,106</u>    | <u>(11,579,662)</u>               | <u>20,738,444</u>              |
| Total Fund Balances  | <u>51,450,979</u>    | <u>3,690,116</u>                  | <u>55,141,095</u>              |
| Total Liabilities, Deferred Inflows<br>Of Resources, and Fund Balances | <u>\$ 79,756,424</u> | <u>\$ 19,027,178</u>              | <u>\$ 98,783,602</u>           |

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

TOWN OF FRAMINGHAM, MASSACHUSETTS

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

JUNE 30, 2017

|  |                                |
|--|--------------------------------|
| <b>Total governmental fund balances</b>  | \$ 55,141,095                  |
| • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  | 216,827,123                    |
| • Noncurrent assets, including MSBA reimbursements for contracted assistance, are not receivable in the current period and, therefore, are not reported in the governmental funds.   | 5,566,313                      |
| • Deferred outflow of resources related to pensions will be recognized as an increase of pension expense in future years.  | 27,252,629                     |
| • Deferred loss on refunding bonds.  | 175,400                        |
| • Revenues are reported on the accrual basis of accounting and are not deferred until collection.  | 4,951,900                      |
| • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.   | (344,858)                      |
| • Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:  |                                |
| Bonds payable  | (69,048,201)                   |
| Net pension liability  | (118,111,049)                  |
| Net OPEB liability   | (307,590,109)                  |
| Compensated absences liability   | (3,942,245)                    |
| Capital leases   | (6,967,958)                    |
| • Deferred inflow of resources related to pensions will be recognized as a reduction of pension expense in future years.   | (477,996)                      |
| • Deferred gain on refunding bonds.  | (315,422)                      |
| • 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 Position. | <u>696,881</u>                 |
| <b>Net position of governmental activities</b>   | <b>\$ <u>(196,186,497)</u></b> |

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, 2017

|  | General<br>Fund      | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|-----------------------------------|--------------------------------|
| <b>Revenues</b>                                      |                      |                                   |                                |
| Property taxes                                       | \$ 179,868,875       | \$ -                              | \$ 179,868,875                 |
| Excises  | 8,733,645            | -                                 | 8,733,645                      |
| Penalties, interest and other taxes                  | 4,497,309            | -                                 | 4,497,309                      |
| Charges for services                                 | 2,695,968            | 10,437,506                        | 13,133,474                     |
| Intergovernmental                                    | 82,090,548           | 19,367,307                        | 101,457,855                    |
| Licenses and permits                                 | 3,502,658            | 35,125                            | 3,537,783                      |
| Fines and forfeitures                                | 447,076              | 12,257                            | 459,333                        |
| Investment income                                    | 822,974              | 76,400                            | 899,374                        |
| Contributions  | -                    | 648,227                           | 648,227                        |
| Miscellaneous  | 516,905              | 2,095,834                         | 2,612,739                      |
|  | <u>283,175,958</u>   | <u>32,672,656</u>                 | <u>315,848,614</u>             |
| <b>Total Revenues</b>                                |                      |                                   |                                |
| <b>Expenditures</b>                                  |                      |                                   |                                |
| Current:   |                      |                                   |                                |
| General government                                   | 11,088,218           | 1,218,999                         | 12,307,217                     |
| Public safety  | 28,506,462           | 4,442,346                         | 32,948,808                     |
| Education  | 154,970,949          | 18,425,217                        | 173,396,166                    |
| Public works   | 11,486,895           | 2,685,754                         | 14,172,649                     |
| Human services                                       | 1,280,030            | 352,344                           | 1,632,374                      |
| Culture and recreation                               | 6,426,332            | 624,677                           | 7,051,009                      |
| Employee benefits                                    | 46,993,832           | -                                 | 46,993,832                     |
| Debt service   | 13,638,342           | -                                 | 13,638,342                     |
| Intergovernmental                                    | 7,222,871            | -                                 | 7,222,871                      |
| Capital outlay                                       | -                    | 16,128,063                        | 16,128,063                     |
|  | <u>281,613,931</u>   | <u>43,877,400</u>                 | <u>325,491,331</u>             |
| <b>Total Expenditures</b>                            |                      |                                   |                                |
| Excess (Deficiency) of revenues<br>over expenditures | 1,562,027            | (11,204,744)                      | (9,642,717)                    |
| <b>Other Financing Sources (Uses)</b>                |                      |                                   |                                |
| Proceeds from bond issuances                         | -                    | 9,501,120                         | 9,501,120                      |
| Proceeds from refunding bonds                        | 1,227,645            | -                                 | 1,227,645                      |
| Premiums on bond issuances                           | 513,610              | 483,852                           | 997,462                        |
| Proceeds from leases                                 | 1,252,753            | -                                 | 1,252,753                      |
| Payment to escrow agent                              | (1,305,859)          | -                                 | (1,305,859)                    |
| Transfers in   | 1,646,481            | 240,328                           | 1,886,809                      |
| Transfers out  | (240,328)            | (1,646,481)                       | (1,886,809)                    |
|  | <u>3,094,302</u>     | <u>8,578,819</u>                  | <u>11,673,121</u>              |
| <b>Total Other Financing Sources (Uses)</b>          |                      |                                   |                                |
| Change in fund balance                               | 4,656,329            | (2,625,925)                       | 2,030,404                      |
| Fund Balance at Beginning of Year                    | 46,794,650           | 6,316,041                         | 53,110,691                     |
| Fund Balance at End of Year                          | <u>\$ 51,450,979</u> | <u>\$ 3,690,116</u>               | <u>\$ 55,141,095</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, 2017

|   |           |                            |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
|---|-----------|----------------------------|--------------------------|--|------------|--------------|--|--------------|----------------------------|--|----------|-------------------|--|--------------|---------------------|--|------------|----------------------------|--|-------------|------------------------------|--|---------|---------------------------------|--|-----------|---------------------------------|--|--------------|---|--|------------|--|--|-----------|------------------------------|--|--------------|-----------------------------|--|-----------|---------------------------|--|---------|------------------------|--|----------|----------------------------------|--|--------|--|--|----------|
| <b>Net changes in fund balances - Total governmental funds</b>  | \$        | 2,030,404                  |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
| <ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Capital outlay purchases</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">22,378,621</td> </tr> <tr> <td>Depreciation</td> <td></td> <td style="text-align: right;">(16,320,576)</td> </tr> <tr> <td>Loss on disposal of assets</td> <td></td> <td style="text-align: right;">(65,499)</td> </tr> </table> </li> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <span style="float: right;">(1,969,459)</span></li> <li>• Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance, do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds. <span style="float: right;">(2,129,672)</span></li> <li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Issuance of bonds</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(10,728,765)</td> </tr> <tr> <td>Repayments of bonds</td> <td></td> <td style="text-align: right;">11,611,947</td> </tr> <tr> <td>Issuance of capital leases</td> <td></td> <td style="text-align: right;">(1,252,753)</td> </tr> <tr> <td>Repayments of capital leases</td> <td></td> <td style="text-align: right;">250,552</td> </tr> <tr> <td>Premiums from issuance of bonds</td> <td></td> <td style="text-align: right;">(997,462)</td> </tr> </table> </li> <li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <span style="float: right;">21,912</span></li> <li>• Some expenses reported in the Statement of Activities, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Change in net pension liability</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(17,410,612)</td> </tr> <tr> <td>Change in pension related deferred outflows</td> <td></td> <td style="text-align: right;">13,084,161</td> </tr> <tr> <td>Change in pension related deferred inflows</td> <td></td> <td style="text-align: right;">(430,980)</td> </tr> <tr> <td>Change in net OPEB liability</td> <td></td> <td style="text-align: right;">(12,099,056)</td> </tr> <tr> <td>Change in other liabilities</td> <td></td> <td style="text-align: right;">(114,823)</td> </tr> <tr> <td>Bond premium amortization</td> <td></td> <td style="text-align: right;">171,834</td> </tr> <tr> <td>Gain on bond refunding</td> <td></td> <td style="text-align: right;">(92,355)</td> </tr> <tr> <td>Amortize gain on refunding bonds</td> <td></td> <td style="text-align: right;">27,883</td> </tr> <tr> <td>Amortize loss on prior years refunding bonds</td> <td></td> <td style="text-align: right;">(87,700)</td> </tr> </table> </li> <li>• Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with Governmental Activities. <span style="float: right;"><u>(430,226)</u></span></li> </ul> |           |                            | Capital outlay purchases |  | 22,378,621 | Depreciation |  | (16,320,576) | Loss on disposal of assets |  | (65,499) | Issuance of bonds |  | (10,728,765) | Repayments of bonds |  | 11,611,947 | Issuance of capital leases |  | (1,252,753) | Repayments of capital leases |  | 250,552 | Premiums from issuance of bonds |  | (997,462) | Change in net pension liability |  | (17,410,612) | Change in pension related deferred outflows |  | 13,084,161 | Change in pension related deferred inflows |  | (430,980) | Change in net OPEB liability |  | (12,099,056) | Change in other liabilities |  | (114,823) | Bond premium amortization |  | 171,834 | Gain on bond refunding |  | (92,355) | Amortize gain on refunding bonds |  | 27,883 | Amortize loss on prior years refunding bonds |  | (87,700) |
| Capital outlay purchases  |           | 22,378,621                 |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
| Depreciation  |           | (16,320,576)               |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
| Loss on disposal of assets  |           | (65,499)                   |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
| Issuance of bonds   |           | (10,728,765)               |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
| Repayments of bonds   |           | 11,611,947                 |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
| Issuance of capital leases  |           | (1,252,753)                |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
| Repayments of capital leases  |           | 250,552                    |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
| Premiums from issuance of bonds   |           | (997,462)                  |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
| Change in net pension liability   |           | (17,410,612)               |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
| Change in pension related deferred outflows   |           | 13,084,161                 |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
| Change in pension related deferred inflows  |           | (430,980)                  |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
| Change in net OPEB liability  |           | (12,099,056)               |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
| Change in other liabilities   |           | (114,823)                  |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
| Bond premium amortization   |           | 171,834                    |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
| Gain on bond refunding  |           | (92,355)                   |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
| Amortize gain on refunding bonds  |           | 27,883                     |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
| Amortize loss on prior years refunding bonds  |           | (87,700)                   |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |
| <b>Change in net position of governmental activities</b>  | <b>\$</b> | <b><u>(14,552,624)</u></b> |                          |  |            |              |  |              |                            |  |          |                   |  |              |                     |  |            |                            |  |             |                              |  |         |                                 |  |           |                                 |  |              |   |  |            |  |  |           |                              |  |              |                             |  |           |                           |  |         |                        |  |          |                                  |  |        |  |  |          |

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, 2017

|  | Budgeted Amounts   |                    |                    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|--------------------|--------------------|---|
|  | Original<br>Budget | Final<br>Budget    | Actual<br>Amounts  |   |
| <b>Revenues and Transfers In</b>   |                    |                    |                    |   |
| Property taxes   | \$ 177,928,549     | \$ 179,504,264     | \$ 179,868,875     | \$ 364,611  |
| Excise   | 8,094,980          | 8,355,000          | 8,733,647          | 378,647   |
| Penalties, interest and other taxes  | 4,743,750          | 4,874,084          | 4,497,306          | (376,778)   |
| Charges for services   | 2,645,160          | 2,704,100          | 2,695,968          | (8,132)   |
| Intergovernmental  | 56,421,168         | 56,773,901         | 57,815,094         | 1,041,193   |
| Licenses and permits   | 2,993,710          | 3,112,000          | 3,502,657          | 390,657   |
| Fines and forfeitures  | 414,370            | 425,000            | 447,075            | 22,075  |
| Investment income  | 97,220             | 100,000            | 182,528            | 82,528  |
| Miscellaneous  | 1,421,541          | 470,324            | 611,036            | 140,712   |
| Transfers in   | 3,878,110          | 4,480,814          | 4,088,896          | (391,918)   |
| <b>Total Revenues and Transfers In</b>                                     | <b>258,638,558</b> | <b>260,799,487</b> | <b>262,443,082</b> | <b>1,643,595</b>  |
| <b>Expenditures and Transfers Out</b>                                      |                    |                    |                    |   |
| General government division  | 3,692,030          | 3,648,926          | 3,280,289          | 368,637   |
| Finance division   | 2,402,170          | 2,466,584          | 2,374,266          | 92,318  |
| Technology services division   | 2,080,807          | 2,183,013          | 2,119,961          | 63,052  |
| Human resources division   | 1,105,972          | 1,124,753          | 1,042,882          | 81,871  |
| Planning and economic development  | 515,024            | 526,746            | 523,007            | 3,739   |
| Police division  | 14,881,008         | 14,871,256         | 14,186,500         | 684,756   |
| Fire division  | 14,213,880         | 14,372,329         | 13,759,192         | 613,137   |
| Public works division  | 10,133,310         | 10,331,705         | 10,250,185         | 81,520  |
| Snow and ice appropriation   | 1,645,397          | 2,450,397          | 2,450,274          | 123   |
| Parks/recreation/cultural affair   | 3,821,492          | 3,872,159          | 3,721,735          | 150,424   |
| Inspectional services division   | 2,312,326          | 2,332,896          | 2,065,791          | 267,105   |
| Framingham public schools  | 122,550,690        | 123,216,369        | 121,564,057        | 1,652,312   |
| Keefe technical school assessment  | 8,997,424          | 8,997,424          | 8,997,424          | -   |
| Framingham public library  | 3,068,210          | 3,225,099          | 3,158,954          | 66,145  |
| Planning board   | 228,374            | 226,013            | 180,276            | 45,737  |
| Town clerk/elections   | 461,856            | 467,673            | 388,848            | 78,825  |
| Town clerk stipend   | 97,033             | 100,430            | 100,430            | -   |
| Stabilization transfer   | 991,948            | 1,015,708          | 1,015,708          | -   |
| Reserve fund   | 400,000            | 400,000            | -                  | 400,000   |
| Miscellaneous unclassified   | 33,878,991         | 32,913,308         | 31,864,444         | 1,048,864   |
| Transfers to other funds   | 458,236            | 458,236            | 458,236            | -   |
| Retirement/Medicare appropriation  | 15,645,782         | 15,645,782         | 15,381,990         | 263,792   |
| Debt service   | 13,839,340         | 13,839,340         | 12,923,452         | 915,888   |
| Non-appropriated items   | 7,249,151          | 7,249,151          | 7,643,513          | (394,362)   |
| Articles   | 1,370,000          | 1,666,083          | 1,666,083          | -   |
| <b>Total Expenditures and Transfers Out</b>                                | <b>266,040,451</b> | <b>267,601,380</b> | <b>261,117,497</b> | <b>6,483,883</b>  |
| Excess of revenues and transfers in<br>over expenditures and transfers out | (7,401,893)        | (6,801,893)        | 1,325,585          | 8,127,478   |
| <b>Other Financing Sources</b>   |                    |                    |                    |   |
| Use of free cash/overlay surplus - operating budget                        | 7,214,893          | 6,614,893          | -                  | (6,614,893)   |
| Use of free cash - capital   | 187,000            | 187,000            | -                  | (187,000)   |
| Excess of revenues and other sources<br>over expenditures and other uses   | \$ -               | \$ -               | \$ 1,325,585       | \$ 1,325,585  |

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

TOWN OF FRAMINGHAM, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2017

|  | Business-Type Activities<br><u>Enterprise Funds</u> | Governmental<br><u>Activities</u>   |
|--|---|-------------------------------------|
|  | Utility<br><u>Fund</u>                              | Internal<br>Service<br><u>Funds</u> |
| <b>Assets</b>  |   |                                     |
| Current:   |   |                                     |
| Cash and short-term investments                            | \$ 19,387,380                                       | \$ 5,937,967                        |
| User fees, net of allowance for uncollectibles             | 15,244,068  | -                                   |
| Intergovernmental  | 73,192  | -                                   |
| Assessments  | 2,786   | -                                   |
| Other assets   | -   | 151,203                             |
| Total current assets                                       | 34,707,426  | 6,089,170                           |
| Noncurrent:  |   |                                     |
| Intergovernmental  | 909,575   | -                                   |
| Assessments  | 643,670   | -                                   |
| Land and construction in progress                          | 13,458,351  | -                                   |
| Other capital assets, net of accumulated depreciation      | 208,686,828   | -                                   |
| Total noncurrent assets                                    | 223,698,424   | -                                   |
| <b>Deferred Outflows of Resources</b>                      |   |                                     |
| Related to pensions  | 570,372   | -                                   |
| <b>Total Assets and Deferred Outflows of Resources</b>     | 258,976,222   | 6,089,170                           |
| <b>Liabilities</b>   |   |                                     |
| Current:   |   |                                     |
| Warrants payable   | 4,098,276   | 22,473                              |
| Accounts payable   | 14,887  | -                                   |
| Accrued payroll  | 114,696   | -                                   |
| Accrued liabilities  | 687,152   | 5,369,816                           |
| Notes payable  | 14,310,497  | -                                   |
| Current portion of long-term liabilities:                  |   |                                     |
| Bonds payable  | 11,696,612  | -                                   |
| Compensated absences                                       | 153,009   | -                                   |
| Total current liabilities                                  | 31,075,129  | 5,392,289                           |
| Noncurrent:  |   |                                     |
| Bonds payable, net of current portion                      | 146,117,410   | -                                   |
| Net pension liability                                      | 2,471,952   | -                                   |
| Net OPEB liability   | 6,379,765   | -                                   |
| Compensated absences, net of current portion               | 14,230  | -                                   |
| Total noncurrent liabilities                               | 154,983,357   | -                                   |
| <b>Deferred Inflows of Resources</b>                       |   |                                     |
| Related to pensions  | 10,004  | -                                   |
| Other  | 512,245   | -                                   |
| <b>Total Liabilities and Deferred Inflows of Resources</b> | 186,580,735   | 5,392,289                           |
| <b>Net Position</b>  |   |                                     |
| Net investment in capital assets                           | 56,713,243  | -                                   |
| Unrestricted   | 15,682,244  | 696,881                             |
| <b>Total Net Position</b>                                  | \$ 72,395,487                                       | \$ 696,881                          |

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, 2017

|  | Business-Type Activities<br><u>Enterprise Funds</u> | Governmental<br><u>Activities</u>  |
|--|---|------------------------------------|
|  | Utility<br><u>Fund</u>                              | Internal<br>Service<br><u>Fund</u> |
| <b>Operating Revenues</b>                      |   |                                    |
| Charges for services                           | \$ 47,032,282                                       | \$ 2,470,019                       |
| Other  | <u>226,643</u>                                      | <u>-</u>                           |
| Total Operating Revenues                       | 47,258,925  | 2,470,019                          |
| <b>Operating Expenses</b>                      |   |                                    |
| Salaries and benefits                          | 8,670,284   | 3,034,481                          |
| Operating expenses                             | 4,263,268   | -                                  |
| Depreciation                                   | 8,405,211   | -                                  |
| MWRA assessments                               | <u>21,004,856</u>                                   | <u>-</u>                           |
| Total Operating Expenses                       | <u>42,343,619</u>                                   | <u>3,034,481</u>                   |
| Operating Income (Loss)                        | 4,915,306   | (564,462)                          |
| <b>Nonoperating Revenues (Expenses)</b>        |   |                                    |
| Investment income                              | 36,042  | 134,236                            |
| Interest expense                               | (4,396,213)   | -                                  |
| Other nonoperating income                      | <u>254,186</u>                                      | <u>-</u>                           |
| Total Nonoperating Revenues (Expenses), Net    | <u>(4,105,985)</u>                                  | <u>134,236</u>                     |
| Income (Loss) Before Capital Contributions     | 809,321   | (430,226)                          |
| Capital contributions                          | <u>1,144,115</u>                                    | <u>-</u>                           |
| Change in Net Position                         | 1,953,436   | (430,226)                          |
| Net Position at Beginning of Year, as restated | <u>70,442,051</u>                                   | <u>1,127,107</u>                   |
| Net Position at End of Year                    | <u>\$ 72,395,487</u>                                | <u>\$ 696,881</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, 2017

|  | Business-Type Activities<br><u>Enterprise Funds</u> | Governmental<br><u>Activities</u>  |
|--|---|------------------------------------|
|  | Utility<br><u>Fund</u>                              | Internal<br>Service<br><u>Fund</u> |
| <b>Cash Flows From Operating Activities</b>  |   |                                    |
| Receipts from customers and users  | \$ 47,227,504                                       | \$ 2,419,255                       |
| Payments to vendors  | (23,002,409)  | -                                  |
| Payments to employees for salaries and benefits  | <u>(8,424,274)</u>                                  | <u>(4,574,549)</u>                 |
| Net Cash Provided By (Used For) Operating Activities   | 15,800,821  | (2,155,294)                        |
| <b>Cash Flows From Noncapital Financing Activities</b>   |   |                                    |
| Other nonoperating income  | <u>266,530</u>                                      | <u>-</u>                           |
| Net Cash Provided By Noncapital Financing Activities   | 266,530   | -                                  |
| <b>Cash Flows From Capital and Related Financing Activities</b>  |   |                                    |
| Proceeds from issuance of bonds  | 17,874,422  | -                                  |
| Proceeds from issuance of short-term notes   | 14,310,497  | -                                  |
| Proceeds from intermunicipal agreements  | 250,804   | -                                  |
| Proceeds from assessments  | 58,418  | -                                  |
| Proceeds from issuance of refunded bonds   | 2,944,355   | -                                  |
| Acquisition and construction of capital assets   | (20,759,364)  | -                                  |
| Principal payments on bonds  | (9,235,571)   | -                                  |
| Principal payments on short-term notes   | (11,016,899)  | -                                  |
| Payment to escrow for refunding  | (3,255,000)   | -                                  |
| Interest expense   | (4,740,204)   | -                                  |
| Capital contributions  | <u>1,144,115</u>                                    | <u>-</u>                           |
| Net (Used For) Capital and Related Financing Activities  | (12,424,427)  | -                                  |
| <b>Cash Flows From Investing Activities</b>  |   |                                    |
| Investment income  | <u>36,042</u>                                       | <u>134,236</u>                     |
| Net Cash Provided By Investing Activities  | <u>36,042</u>                                       | <u>134,236</u>                     |
| Net Change in Cash and Short-Term Investments  | 3,678,966   | (2,021,058)                        |
| Cash and Short-Term Investments, Beginning of Year   | <u>15,708,414</u>                                   | <u>7,959,025</u>                   |
| Cash and Short-Term Investments, End of Year   | <u>\$ 19,387,380</u>                                | <u>\$ 5,937,967</u>                |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities</b> |   |                                    |
| Operating income (loss)  | \$ 4,915,306  | \$ (564,462)                       |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities:       |   |                                    |
| Depreciation   | 8,405,211   | -                                  |
| Changes in assets/deferred outflows and liabilities/deferred inflows:                                    |   |                                    |
| User fees  | (31,421)  | (50,764)                           |
| Deferred outflows - related to pension   | (273,839)   | -                                  |
| Warrants payable   | 1,985,485   | (25,559)                           |
| Accounts payable   | (5,215)   | -                                  |
| Accrued liabilities  | (109,379)   | (1,514,509)                        |
| Other liabilities  | 285,446   | -                                  |
| Net pension liability  | 364,387   | -                                  |
| Net OPEB liability   | 250,948   | -                                  |
| Compensated absences   | 4,872   | -                                  |
| Deferred inflows - related to pension  | <u>9,020</u>  | <u>-</u>                           |
| Net Cash Provided By (Used For) Operating Activities   | <u>\$ 15,800,821</u>                                | <u>\$ (2,155,294)</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, 2017

|  | Pension Trust<br>Fund (as of<br><u>December 31, 2016</u> ) | Other Post<br>Employment<br>Benefits<br><u>Trust Fund</u> | Agency<br><u>Funds</u> |
|--|--|---|------------------------|
| <b>Assets</b>  |  |   |                        |
| Cash and short-term investments                                | \$ 2,432,560   | \$ 13,813   | \$ 7,170,863           |
| Investments  | 271,581,032  | 5,309,568   | 1,077,099              |
| Accounts receivable  | <u>53,533</u>  | <u>-</u>  | <u>7,151</u>           |
| Total Assets   | 274,067,125  | 5,323,381   | 8,255,113              |
| <br><b>Liabilities and Net Position</b>                        |  |   |                        |
| Warrants payable   | -  | -   | 55,632                 |
| Accounts payable   | -  | -   | 333,902                |
| Performance bonds  | -  | -   | 3,718,426              |
| Payroll withholdings and other liabilities                     | <u>18,436</u>  | <u>-</u>  | <u>4,147,153</u>       |
| Total Liabilities  | <u>18,436</u>  | <u>-</u>  | <u>8,255,113</u>       |
| Total Net Position Restricted<br>For Pension and OPEB Benefits | <u>\$ 274,048,689</u>                                      | <u>\$ 5,323,381</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, 2017

|  | Pension Trust<br>Fund<br>(for the year ended<br><u>December 31, 2016</u> ) | Other Post<br>Employment<br>Benefits<br><u>Trust Fund</u> |
|--|--|---|
| <b>Additions</b>   |  |   |
| Contributions:   |  |   |
| Employers  | \$ 13,686,435  | \$ 11,124,352   |
| Plan members   | 6,393,902  | -   |
| Reimbursements from federal grants                             | 69,539   | -   |
| Reimbursements from Commonwealth of Massachusetts              | 209,818  | -   |
| Reimbursements from other systems                              | 1,442,303  | -   |
| Other  | <u>9,860</u>   | <u>-</u>  |
| Total contributions  | 21,811,857   | 11,124,352  |
| Investment Income:   |  |   |
| Increase in fair value of investments                          | 20,367,559   | 341,405   |
| Less: management fees  | <u>(1,399,266)</u>   | <u>-</u>  |
| Net investment income  | <u>18,968,293</u>  | <u>341,405</u>  |
| Total additions  | 40,780,150   | 11,465,757  |
| <b>Deductions</b>  |  |   |
| Benefit payments to plan members and beneficiaries             | 22,288,086   | 10,372,642  |
| Reimbursements to other systems                                | 891,997  | -   |
| Refunds and transfers of plan member accounts to other systems | 1,019,038  | -   |
| Administrative expenses  | <u>326,587</u>   | <u>-</u>  |
| Total deductions   | <u>24,525,708</u>  | <u>10,372,642</u>   |
| Net increase   | 16,254,442   | 1,093,115   |
| <b>Net Position Restricted for Pension and OPEB Benefits</b>   |  |   |
| Beginning of Year  | <u>257,794,247</u>   | <u>4,230,266</u>  |
| End of Year  | <u>\$ 274,048,689</u>  | <u>\$ 5,323,381</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 Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the Town and applicable component units for which the Town is considered to be financially accountable. In fiscal year 2017, 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 Town 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 Town. 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 Town reports the following major governmental funds:

- The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues 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 Town reports the following major proprietary fund:

- The *utility fund* is used to report the Town's water and sewer 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 fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Town reports the following fiduciary funds:

- 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 benefits 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 2017 tax levy reflected an excess capacity of \$10,903,517.

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.

Capital assets 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 Town'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.

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<br/>and Other<br/>Financing Sources</u> | <u>Expenditures<br/>and Other<br/>Financing Uses</u> |
|--|---|--|
| Revenues/Expenditures<br>(GAAP Basis)                            | \$ 283,175,958                                      | \$ 281,613,931                                       |
| Other financing sources/uses<br>(GAAP Basis)                     | <u>4,640,489</u>                                    | <u>1,546,187</u>                                     |
| Subtotal (GAAP Basis)  | 287,816,447   | 283,160,118  |
| Reverse expenditures of prior<br>year carryforwards              | -   | (775,222)  |
| Add end-of-year appropriation<br>carryforwards from expenditures | -   | 1,070,497  |
| To reverse non-budgeted activity:                                |   |  |
| State contributions for teachers<br>retirement                   | (24,275,455)  | (24,275,455)   |
| Reclass of indirect costs  | 3,071,894   | 3,071,894  |
| Stabilization activity   | (840,446)   | 1,286,944  |
| Capital lease issuance   | (1,252,753)   | (1,252,753)  |
| Current refunding  | (1,741,255)   | (1,741,255)  |
| To reverse articles activity                                     | (339,469)   | 611,200  |
| Other timing differences   | <u>4,119</u>  | <u>(38,471)</u>                                      |
| Budgetary Basis  | <u>\$ 262,443,082</u>                               | <u>\$ 261,117,497</u>                                |

*D. Excess of Expenditures Over Appropriations*

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

|                        |              |
|------------------------|--------------|
| Non-appropriated items | \$ (394,362) |
|------------------------|--------------|

**E. Deficit Fund Equity**

The following funds had deficits as of June 30, 2017:

|   |                        |
|---|------------------------|
| Capital Project Funds:                  |                        |
| Roadway Improvements                    | \$ (2,911,950)         |
| Paving                                  | (1,383,960)            |
| Technology Upgrades                     | (981,443)              |
| Loring Arena Renovations                | (916,780)              |
| Roadway Improvements FY16               | (747,150)              |
| Farley School                           | (411,089)              |
| Roadway Improvements FY15               | (304,917)              |
| Fire Station                            | (246,478)              |
| Drainage                                | (241,068)              |
| Police                                  | (224,717)              |
| Cruiser                                 | (220,510)              |
| Heat Vent                               | (193,101)              |
| King Asbe                               | (192,568)              |
| HVAC Replace FY15                       | (177,585)              |
| Sidewalk                                | (155,489)              |
| Cypress St                              | (107,392)              |
| F550                                    | (100,473)              |
| Other (58 individual projects)          | (1,919,397)            |
| Special Revenue Funds:                  |                        |
| Bulletproof Vest Partnership Program    | (4,595)                |
| Emergency Management                    | (21,223)               |
| West Metro HOME Consortium              | (2,694)                |
| Department of Housing Community Service | (42,950)               |
| Ex-Office Public Safety Police          | (52,378)               |
| Chapter 90 Highway                      | (3,904)                |
| US SPED                                 | (15,444)               |
| Partnership for Skilled Workforce       | (81)                   |
| Resiliency for Life                     | (326)                  |
| Total                                   | \$ <u>(11,579,662)</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 Town'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, 2017 and December 31, 2016, \$2,995,369 and \$2,002,036 of the Town's and System's bank balances of \$124,609,849 and \$2,462,139, respectively, was exposed to custodial credit risk as uninsured or uncollateralized.

All of the System's balance exposed to custodial credit risk represents the cash portion on deposit with the Pension Reserve Investment 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 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):

| Average Rating         | US Treasury Notes   | Federal Agency Securities | Corporate Bonds     | Fixed Income Mutual Funds | Equity Mutual Funds | Corporate Equities  | Certificate of Deposits | Total                |
|------------------------|---------------------|---------------------------|---------------------|---------------------------|---------------------|---------------------|-------------------------|----------------------|
| AAA                    | \$ 1,479,407        | \$ 4,694,081              | \$ -                | \$ 680,035                | \$ -                | \$ -                | \$ -                    | \$ 6,853,523         |
| AA+                    | -                   | -                         | -                   | 26,724                    | -                   | -                   | -                       | 26,724               |
| AA-                    | -                   | -                         | -                   | 298,534                   | -                   | -                   | -                       | 298,534              |
| A+                     | -                   | -                         | 981,459             | 25,650                    | -                   | -                   | -                       | 1,007,109            |
| A                      | -                   | -                         | -                   | 26,334                    | -                   | -                   | -                       | 26,334               |
| A-                     | -                   | -                         | -                   | 492,077                   | -                   | -                   | -                       | 492,077              |
| BBB+                   | -                   | -                         | 671,398             | 52,741                    | -                   | -                   | -                       | 724,139              |
| BBB                    | -                   | -                         | 255,115             | 528,371                   | -                   | -                   | -                       | 783,486              |
| BBB-                   | -                   | -                         | 409,028             | -                         | -                   | -                   | -                       | 409,028              |
| BB+                    | -                   | -                         | -                   | 253,109                   | -                   | -                   | -                       | 253,109              |
| BB-                    | -                   | -                         | -                   | 258,106                   | -                   | -                   | -                       | 258,106              |
| B-                     | -                   | -                         | -                   | 180,830                   | -                   | -                   | -                       | 180,830              |
| Exempt From Disclosure | -                   | -                         | -                   | -                         | 4,541,067           | 7,562,678           | 9,158,775               | 21,262,520           |
| <b>Total</b>           | <b>\$ 1,479,407</b> | <b>\$ 4,694,081</b>       | <b>\$ 2,317,000</b> | <b>\$ 2,822,511</b>       | <b>\$ 4,541,067</b> | <b>\$ 7,562,678</b> | <b>\$ 9,158,775</b>     | <b>\$ 32,575,519</b> |

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, 2016, the Contributory Retirement System maintained its investments in the State Investment Pool\* with a fair value of \$271,581,032. 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 \$4,694,081 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:

| <u>Investment Type</u>    | <u>Fair Value</u>    | <u>Investment Maturities</u> |                     |                     |                   |
|---------------------------|----------------------|------------------------------|---------------------|---------------------|-------------------|
|                           |                      | <u>Less Than 1</u>           | <u>1-5</u>          | <u>6-10</u>         | <u>10+</u>        |
| Debt-related Securities:  |                      |                              |                     |                     |                   |
| US Treasury notes         | \$ 1,479,407         | \$ -                         | \$ 1,479,407        | \$ -                | \$ -              |
| Federal agency securities | 4,694,081            | -                            | 4,694,081           | -                   | -                 |
| Corporate bonds           | 2,317,000            | 584,990                      | 1,732,010           | -                   | -                 |
| Fixed income mutual funds | 2,822,511            | -                            | 1,017,180           | 1,646,052           | 159,279           |
| Total                     | \$ <u>11,312,999</u> | \$ <u>584,990</u>            | \$ <u>8,922,678</u> | \$ <u>1,646,052</u> | \$ <u>159,279</u> |

**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 and System have the following fair value measurements as of June 30, 2017:

| <u>Description</u>                                    | <u>Fair Value Measurements Using:</u>                                      |  |   |   |
|---|--|--|---|---|
|   | Quoted prices<br>in active<br>markets for<br>identical assets<br>(Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3)              |   |
| Investments by fair value level:                      |  |  |   |   |
| Debt securities:                                      |  |  |   |   |
| U.S. Treasury notes                                   | \$ 1,479,407   | \$ -   | \$ 1,479,407  | \$ -                                    |
| U.S. Federal agencies                                 | 4,694,081  | -  | 4,694,081   | -                                       |
| Corporate bonds                                       | 2,317,000  | -  | 2,317,000   | -                                       |
| Equity securities:                                    |  |  |   |   |
| Fixed income mutual funds                             | 2,822,511  | 2,822,511  | -   | -                                       |
| Equity mutual funds                                   | 4,541,067  | 4,541,067  | -   | -                                       |
| Corporate equities:                                   |  |  |   |   |
| Utilities   | 574,103  | 574,103  | -   | -                                       |
| Basic Materials                                       | 170,697  | 170,697  | -   | -                                       |
| Financials  | 1,282,369  | 1,282,369  | -   | -                                       |
| Industrials   | 908,927  | 908,927  | -   | -                                       |
| Healthcare  | 1,875,115  | 1,875,115  | -   | -                                       |
| Services  | 618,473  | 618,473  | -   | -                                       |
| Technology  | 251,627  | 251,627  | -   | -                                       |
| Consumer Goods  | 1,881,365  | 1,881,365  | -   | -                                       |
| Investments measured at<br>the net asset value (NAV): |  |  |   |   |
| External investment pool                              | <u>271,581,032</u>   | <u>-</u>   | <u>-</u>  | <u>-</u>                                |
| Total   | \$ <u>294,997,774</u>  | \$ <u>14,926,254</u>                             | \$ <u>8,490,488</u>   | \$ <u>-</u>                             |
| <u>Description</u>                                    | <u>Value</u>   | <u>Unfunded<br/>Commitments</u>                  | <u>Redemption<br/>Frequency<br/>(If currently<br/>eligible)</u> | <u>Redemption<br/>Notice<br/>Period</u> |
| External investment pool                              | \$ 271,581,032   | \$ -   | 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, 2017 consist of the following:

| <u>Receivables:</u>     | <u>Gross<br/>Amount</u> | <u>Allowance for<br/>Doubtful<br/>Accounts</u> | <u>Net Amount</u>   |
|-------------------------|-------------------------|--|---------------------|
| Real estate taxes       | \$ 1,582,824            | \$ (166,293)                                   | \$ 1,416,531        |
| Personal property taxes | 479,720                 | (409,470)                                      | 70,250              |
| Tax liens               | 1,979,057               | (712,461)                                      | 1,266,596           |
| Deferred taxes          | <u>575,025</u>          | <u>(172,507)</u>                               | <u>402,518</u>      |
| Total property taxes    | 4,616,626               | (1,460,731)                                    | 3,155,895           |
| Motor vehicle excise    | <u>3,123,508</u>        | <u>(1,950,642)</u>                             | <u>1,172,866</u>    |
| Total excises           | <u>3,123,508</u>        | <u>(1,950,642)</u>                             | <u>1,172,866</u>    |
| Grand total             | <u>\$ 7,740,134</u>     | <u>\$ (3,411,373)</u>                          | <u>\$ 4,328,761</u> |

## **6. User Fee Receivables**

The Town provides water and sewer services for its residents. Bills are issued based on usage and are sent out either monthly or quarterly.

Receivables for user charges at June 30, 2017 consist of the following:

| <u>Receivables:</u> | <u>Gross<br/>Amount</u> | <u>Allowance<br/>for Doubtful<br/>Accounts</u> | <u>Net Amount</u>    |
|---------------------|-------------------------|--|----------------------|
| Water               | \$ 6,303,534            | \$ (54,452)                                    | \$ 6,249,082         |
| Sewer               | <u>9,047,144</u>        | <u>(52,158)</u>                                | <u>8,994,986</u>     |
| Total               | <u>\$ 15,350,678</u>    | <u>\$ (106,610)</u>                            | <u>\$ 15,244,068</u> |

## **7. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2017, 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 fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2017:

|   | <u>Transfers In</u> | <u>Transfers Out</u> | <u>Net</u>       |
|---|---------------------|----------------------|------------------|
| <b><u>Governmental Funds:</u></b>           |                     |                      |                  |
| General Fund                                | \$ 1,646,481        | \$ 240,328           | \$ 1,406,153     |
| Nonmajor Governmental Funds:                |                     |                      |                  |
| Insurance proceeds<br>greater than \$20,000 | -                   | 1,136,268            | (1,136,268)      |
| Other                                       | <u>240,328</u>      | <u>510,213</u>       | <u>(269,885)</u> |
| Total                                       | <u>\$ 1,886,809</u> | <u>\$ 1,886,809</u>  | <u>\$ -</u>      |

Of the \$1,136,268 transferred from insurance proceeds greater than \$20,000, \$601,177 and \$335,091 represent reimbursements to the General Fund for damages to the McCarthy School and Main Library and the High School parking lot project, respectively.

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u>   | <u>Ending<br/>Balance</u> |
|---|------------------------------|---------------------|--------------------|---------------------------|
| <b><u>Governmental Activities:</u></b>            |                              |                     |                    |                           |
| Capital assets, being depreciated:                |                              |                     |                    |                           |
| Buildings and improvements                        | \$ 209,019,825               | \$ 5,414,537        | \$ -               | \$ 214,434,362            |
| Vehicles, machinery, equipment<br>and furnishings | 60,204,440                   | 5,820,167           | (1,189,433)        | 64,835,174                |
| Infrastructure                                    | <u>75,012,410</u>            | <u>11,143,917</u>   | <u>-</u>           | <u>86,156,327</u>         |
| Total capital assets, being depreciated           | 344,236,675                  | 22,378,621          | (1,189,433)        | 365,425,863               |
| Less accumulated depreciation for:                |                              |                     |                    |                           |
| Buildings and improvements                        | (91,218,608)                 | (6,412,842)         | -                  | (97,631,450)              |
| Vehicles, machinery, equipment<br>and furnishings | (37,459,619)                 | (5,573,228)         | 1,123,934          | (41,908,913)              |
| Infrastructure                                    | <u>(30,276,515)</u>          | <u>(4,334,506)</u>  | <u>-</u>           | <u>(34,611,021)</u>       |
| Total accumulated depreciation                    | <u>(158,954,742)</u>         | <u>(16,320,576)</u> | <u>1,123,934</u>   | <u>(174,151,384)</u>      |
| Total capital assets, being depreciated, net      | 185,281,933                  | 6,058,045           | (65,499)           | 191,274,479               |
| Capital assets, not being depreciated:            |                              |                     |                    |                           |
| Land  | 20,032,103                   | -                   | -                  | 20,032,103                |
| Construction in progress                          | <u>5,520,541</u>             | <u>-</u>            | <u>-</u>           | <u>5,520,541</u>          |
| Total capital assets, not being depreciated       | <u>25,552,644</u>            | <u>-</u>            | <u>-</u>           | <u>25,552,644</u>         |
| Governmental activities capital assets, net       | <u>\$ 210,834,577</u>        | <u>\$ 6,058,045</u> | <u>\$ (65,499)</u> | <u>\$ 216,827,123</u>     |

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>     | <u>Decreases</u>   | <u>Ending<br/>Balance</u> |
|---|------------------------------|----------------------|--------------------|---------------------------|
| <b>Business-Type Activities:</b>                  |                              |                      |                    |                           |
| Capital assets, being depreciated:                |                              |                      |                    |                           |
| Buildings and improvements                        | \$ 42,053,624                | \$ 4,134,036         | \$ -               | \$ 46,187,660             |
| Vehicles, machinery, equipment<br>and furnishings | 11,787,389                   | 1,328,787            | (512,586)          | 12,603,590                |
| Infrastructure                                    | <u>229,992,804</u>           | <u>14,887,149</u>    | <u>-</u>           | <u>244,879,953</u>        |
| Total capital assets, being depreciated           | 283,833,817                  | 20,349,972           | (512,586)          | 303,671,203               |
| Less accumulated depreciation for:                |                              |                      |                    |                           |
| Capital assets, being depreciated:                |                              |                      |                    |                           |
| Buildings and improvements                        | (9,178,339)                  | (2,227,736)          | -                  | (11,406,075)              |
| Vehicles, machinery, equipment<br>and furnishings | (7,359,669)                  | (818,554)            | 500,242            | (7,677,981)               |
| Infrastructure                                    | <u>(70,541,398)</u>          | <u>(5,358,921)</u>   | <u>-</u>           | <u>(75,900,319)</u>       |
| Total accumulated depreciation                    | <u>(87,079,406)</u>          | <u>(8,405,211)</u>   | <u>500,242</u>     | <u>(94,984,375)</u>       |
| Total capital assets, being depreciated, net      | 196,754,411                  | 11,944,761           | (12,344)           | 208,686,828               |
| Capital assets, not being depreciated:            |                              |                      |                    |                           |
| Land  | 1,136,233                    | -                    | -                  | 1,136,233                 |
| Construction in progress                          | <u>11,912,726</u>            | <u>409,392</u>       | <u>-</u>           | <u>12,322,118</u>         |
| Total capital assets, not being depreciated       | <u>13,048,959</u>            | <u>409,392</u>       | <u>-</u>           | <u>13,458,351</u>         |
| Business-type activities capital assets, net      | <u>\$ 209,803,370</u>        | <u>\$ 12,354,153</u> | <u>\$ (12,344)</u> | <u>\$ 222,145,179</u>     |

Depreciation expense was charged to functions of the Town as follows:

|   |                      |
|---|----------------------|
| <b>Governmental Activities:</b>                       |                      |
| General government                                    | \$ 1,616,283         |
| Public safety   | 1,414,987            |
| Education   | 5,816,484            |
| Public works  | 6,223,931            |
| Health and human services                             | 131,202              |
| Culture and recreation                                | <u>1,117,689</u>     |
| Total depreciation expense - governmental activities  | <u>\$ 16,320,576</u> |
| <b>Business-Type Activities:</b>                      |                      |
| Utility   | <u>\$ 8,405,211</u>  |
| Total depreciation expense - business-type activities | <u>\$ 8,405,211</u>  |

## 10. Deferred Outflows of Resources

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

Deferred outflows of resources related to pensions, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, are more fully discussed in Note 20.

Other deferred outflows of resources in governmental activities of \$175,400 resulted in losses from debt refundings.

**11. Warrants and Accounts Payable**

Warrants payable represent 2017 expenditures paid by July 15, 2017. Accounts payable represent additional 2017 expenditures paid after July 15, 2017.

**12. Accrued Payroll**

This balance represents 2017 wage related expenditures due to employees paid after July 15, 2017.

**13. 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.

## 14. Notes Payable

The Town had the following notes outstanding at June 30, 2017:

|                   | Interest<br><u>Rate</u> | Date of<br><u>Issue</u> | Date of<br><u>Maturity</u> | Balance at<br><u>6/30/17</u> |
|-------------------|-------------------------|-------------------------|----------------------------|------------------------------|
| Bond anticipation | 2.00%                   | 12/09/16                | 12/08/17                   | \$ 3,019,766                 |
| Bond anticipation | 1.75%                   | 06/22/17                | 12/08/17                   | <u>20,547,185</u>            |
| Total             |                         |                         |                            | <u>\$ 23,566,951</u>         |

The following summarizes activity in notes payable during fiscal year 2017:

|                                 | Balance<br>Beginning<br><u>of Year</u> | New<br><u>Issues</u> | <u>Maturities</u>      | Balance<br>End of<br><u>Year</u> |
|---------------------------------|--|----------------------|------------------------|----------------------------------|
| <u>Governmental Activities</u>  |  |                      |                        |                                  |
| Bond anticipation               | \$ 5,202,473                           | \$ -                 | \$ (5,202,473)         | \$ -                             |
| Bond anticipation               | -                                      | 66,696               | -                      | 66,696                           |
| Bond anticipation               | -                                      | <u>9,189,758</u>     | -                      | <u>9,189,758</u>                 |
| Subtotal                        | 5,202,473                              | 9,256,454            | (5,202,473)            | 9,256,454                        |
| <u>Business-Type Activities</u> |  |                      |                        |                                  |
| Bond anticipation               | 11,016,899                             | -                    | (11,016,899)           | -                                |
| Bond anticipation               | -                                      | 2,953,070            | -                      | 2,953,070                        |
| Bond anticipation               | -                                      | <u>11,357,427</u>    | -                      | <u>11,357,427</u>                |
| Subtotal                        | <u>11,016,899</u>                      | <u>14,310,497</u>    | <u>(11,016,899)</u>    | <u>14,310,497</u>                |
| Total                           | <u>\$ 16,219,372</u>                   | <u>\$ 23,566,951</u> | <u>\$ (16,219,372)</u> | <u>\$ 23,566,951</u>             |

**15. 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<br>Maturities<br>Through | Interest<br>Rate(s) % | Amount<br>Outstanding<br>as of<br><u>6/30/17</u> |
|---------------------------------|---------------------------------|-----------------------|--|
| General obligation              | 03/25                           | 3.79%                 | \$ 1,094,600                                     |
| General obligation              | 03/24                           | 3.79%                 | 439,150  |
| General obligation              | 03/24                           | 3.79%                 | 502,050  |
| General obligation              | 02/19                           | 4.34%                 | 1,913,500  |
| General obligation              | 03/23                           | 3.00%                 | 52,600   |
| General obligation              | 11/23                           | 0.00%                 | 175,000  |
| General obligation              | 03/20                           | 5.51%                 | 2,507,500  |
| General obligation              | 03/24                           | 3.00%                 | 352,200  |
| General obligation              | 11/27                           | 3.84%                 | 255,000  |
| General obligation              | 07/27                           | 2.00%                 | 178,623  |
| General obligation              | 06/24                           | 3.00%                 | 2,380,000  |
| General obligation              | 06/30                           | 3.00%                 | 2,317,000  |
| General obligation              | 07/30                           | 2.00%                 | 228,287  |
| General obligation              | 06/31                           | 3.63%                 | 7,725,000  |
| General obligation              | 12/32                           | 3.45%                 | 3,820,000  |
| General obligation              | 12/38                           | 3.24%                 | 7,130,000  |
| General obligation              | 12/35                           | 3.84%                 | 5,781,000  |
| General obligation              | 12/40                           | 3.87%                 | 16,925,000                                       |
| General obligation              | 12/37                           | 3.13%                 | <u>10,728,765</u>                                |
| Total Governmental Activities   |                                 |                       | <u>\$ 64,505,275</u>                             |

| <u>Business-Type Activities:</u> | <u>Serial Maturities Through</u> | <u>Interest Rate(s) %</u> | <u>Amount Outstanding as of 6/30/17</u> |
|----------------------------------|----------------------------------|---------------------------|---|
| Water (MWRA)                     | 03/23                            | 3.00%                     | \$ 101,200                              |
| Sewer                            | 03/25                            | 3.79%                     | 219,900                                 |
| Water                            | 03/24                            | 3.00%                     | 1,115,400                               |
| Sewer (MWPAT)                    | 03/24                            | 0.00%                     | 133,346                                 |
| Water                            | 03/25                            | 3.79%                     | 512,900                                 |
| Sewer                            | 11/27                            | 3.84%                     | 145,000                                 |
| Water                            | 11/27                            | 3.84%                     | 25,000                                  |
| Sewer                            | 07/27                            | 2.00%                     | 5,500,096                               |
| Sewer (MWPAT)                    | 07/28                            | 2.00%                     | 284,151                                 |
| Sewer (MWPAT)                    | 07/28                            | 2.00%                     | 1,384,743                               |
| Water                            | 06/24                            | 3.00%                     | 40,000                                  |
| Sewer                            | 06/30                            | 3.00%                     | 138,000                                 |
| Water                            | 06/30                            | 3.00%                     | 4,015,000                               |
| Sewer (MWPAT)                    | 07/30                            | 2.00%                     | 1,120,120                               |
| Sewer (MWPAT)                    | 07/27                            | 2.00%                     | 85,472                                  |
| Sewer (MWPAT)                    | 07/30                            | 2.00%                     | 138,924                                 |
| Sewer (MWPAT)                    | 07/30                            | 2.00%                     | 2,425,252                               |
| Sewer (MWPAT)                    | 07/30                            | 2.00%                     | 2,778,712                               |
| Sewer (MWPAT)                    | 07/30                            | 2.00%                     | 6,260,844                               |
| Sewer (MWPAT)                    | 07/30                            | 2.00%                     | 230,056                                 |
| Water                            | 06/31                            | 3.63%                     | 4,815,000                               |
| Sewer                            | 06/31                            | 3.63%                     | 4,545,000                               |
| Sewer (MWPAT)                    | 07/28                            | 2.00%                     | 5,052                                   |
| Sewer (MWPAT)                    | 07/32                            | 2.00%                     | 19,805,465                              |
| Water (MWRA)                     | 11/22                            | 0.00%                     | 3,422,664                               |
| Water                            | 12/32                            | 3.45%                     | 14,860,000                              |
| Sewer                            | 12/32                            | 3.45%                     | 2,045,000                               |
| Sewer (MWPAT)                    | 07/30                            | 2.00%                     | 1,254,854                               |
| Water                            | 12/38                            | 3.24%                     | 3,465,000                               |
| Sewer                            | 12/38                            | 3.24%                     | 5,785,000                               |
| Sewer (MWPAT)                    | 12/38                            | 3.24%                     | 272,646                                 |
| Water                            | 12/40                            | 3.84%                     | 1,270,000                               |
| Water                            | 01/25                            | 0.00%                     | 1,177,120                               |
| Sewer                            | 12/40                            | 3.84%                     | 11,079,000                              |
| Sewer (MWPAT)                    | 01/35                            | 2.00%                     | 5,531,658                               |
| Sewer                            | 5/20                             | 0.00%                     | 287,645                                 |
| Water                            | 12/40                            | 3.87%                     | 8,225,000                               |
| Sewer                            | 12/40                            | 3.87%                     | 14,180,000                              |
| Sewer (MWPAT)                    | 1/36                             | 2.00%                     | 2,029,050                               |
| Sewer (MWPAT)                    | 1/30                             | 2.00%                     | 78,980                                  |
| Sewer                            | 1/37                             | 3.13%                     | 9,145,177                               |
| Sewer (MWPAT)                    | 11/21                            | 0.00%                     | 759,693                                 |
| Water                            | 1/37                             | 3.13%                     | 8,831,057                               |
| Water (MWRA)                     | 11/21                            | 0.00%                     | 1,471,400                               |
| Total Business-Type Activities   |                                  |                           | \$ <u>150,995,577</u>                   |

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2017 are as follows:

| <u>Governmental</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|---------------------|----------------------|----------------------|----------------------|
| 2018                | \$ 10,873,114        | \$ 2,359,486         | \$ 13,232,600        |
| 2019                | 9,314,862            | 1,953,851            | 11,268,713           |
| 2020                | 7,804,792            | 1,588,550            | 9,393,342            |
| 2021                | 5,514,230            | 1,305,536            | 6,819,766            |
| 2022                | 4,659,509            | 1,088,319            | 5,747,828            |
| 2023 - 2027         | 17,371,255           | 2,985,703            | 20,356,958           |
| 2028 - 2032         | 7,362,513            | 1,941,985            | 9,304,498            |
| 2033 - 2037         | 1,565,000            | 99,585               | 1,664,585            |
| 2038 - 2041         | 40,000               | 2,694                | 42,694               |
| Total               | <u>\$ 64,505,275</u> | <u>\$ 13,325,709</u> | <u>\$ 77,830,984</u> |

The general fund has been designated as the source to repay the governmental-type general obligation debt outstanding as of June 30, 2017.

| <u>Business-Type</u> | <u>Principal</u>      | <u>Interest</u>      | <u>Total</u>          |
|----------------------|-----------------------|----------------------|-----------------------|
| 2018                 | \$ 11,326,155         | \$ 4,337,649         | \$ 15,663,804         |
| 2019                 | 10,862,313            | 4,003,046            | 14,865,359            |
| 2020                 | 10,640,567            | 3,651,658            | 14,292,225            |
| 2021                 | 10,353,735            | 3,339,132            | 13,692,867            |
| 2022                 | 9,903,276             | 3,033,910            | 12,937,186            |
| 2023 - 2027          | 43,530,571            | 11,077,723           | 54,608,294            |
| 2028 - 2032          | 34,671,387            | 5,532,266            | 40,203,653            |
| 2033 - 2037          | 14,637,573            | 1,889,507            | 16,527,080            |
| 2038 - 2041          | 5,070,000             | 302,623              | 5,372,623             |
| Total                | <u>\$ 150,995,577</u> | <u>\$ 37,167,514</u> | <u>\$ 188,163,091</u> |

**C. Advance and Current Refundings**

*Current Year*

On December 8, 2016, the Town issued general obligation bonds in the amount of \$28,705,000 with interest rates ranging from 2.00% to 4.00%. Bonds with a par amount of \$24,533,000 were issued to fund new capital projects. Bonds with a par amount of \$1,640,010 were issued to current refunding \$1,950,000 of June 1, 2006 bonds with interest rates ranging from 4.00% to 4.25% and bonds with a par amount of \$2,531,990 were issued to advance refund \$2,625,000 of November 1, 2007 bonds with interest rates ranging from 4.00% to 4.125%. The bonds being current

refunded mature on June 1, 2017 through June 1, 2022, June 1, 2024, and June 1, 2026 and are callable on January 15, 2017; the bonds being advance refunded mature on November 1, 2018 through November 1, 2027 and are callable on November 1, 2017. The general obligation bonds were issued at 2.983012% true interest cost and, after paying prorate issuance costs of \$32,030 associated with the refunded bonds component, the net refunding bonds proceeds were \$4,455,604. The net refunding bonds proceeds from the issuance of the general obligation bonds along with a cash contribution of \$216,491 were used to purchase State and Local Government Series (SLGS) securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called on January 15, 2017 and November 1, 2017. The current and advance refundings met the requirement of an in-substance debt defeasance and the bonds were removed from the Town's financial statements.

As a result of the current refunding, the Town reduced its total debt service cash flow requirements by \$188,243, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$131,490.

As a result of the advance refunding, the Town reduced its total debt service cash flow requirements by \$142,954, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$122,544.

Total defeased principal still outstanding at June 30, 2017 is \$2,625,000.

*D. Bond Authorizations*

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2017 are as follows:

| <u>Purpose</u>   | <u>Amount</u>         |
|--|-----------------------|
| 188 Concord St   | \$ 1,750,000          |
| Birch Road   | 37,969,148            |
| N Concord St Water Main Replacement                        | 3,830,583             |
| Grant & Pond St Sewer Replace                              | 1,168,995             |
| Warren Rd & Prindiville Water Main                         | 2,989,476             |
| Worcester Rd Pump Station Elimination Project Construction | 15,220,000            |
| Baiting Brook Sewer Improvements                           | 5,803,579             |
| Union Ave Water Mains                                      | 9,868,479             |
| Loring Arena Renovation                                    | 5,213,760             |
| Evergreen St Water Design                                  | 3,160,000             |
| Speen & Cochituate Water                                   | 1,897,535             |
| Railway Sewer Alignment                                    | 9,660,000             |
| Speen Street Area Design                                   | 1,410,000             |
| Platform #1  | 1,203,715             |
| FY17 Sewer Evaluation Survey                               | 1,563,201             |
| Indian Water Tank  | 9,476,128             |
| Fuller Feasibility Study                                   | 1,000,000             |
| Village Hall Design & Construction                         | 2,450,000             |
| Roadway 2018   | 5,293,033             |
| Intersection Edgell/Water/Edmands                          | 3,050,000             |
| Interchange #12 Sewer Improvements                         | 2,234,000             |
| Eastleigh/Little Farms/Shawmut/Pump Station                | 6,135,000             |
| Fountain St (Winter-CSX) #1A                               | 1,540,000             |
| Other (201 individual projects)                            | <u>32,890,352</u>     |
| Total  | <u>\$ 166,776,984</u> |

*E. 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<br/>Estimated Share</u> |
|-----------------------|------------------------|-------|-----------------------------------|
| MWRA - Water          | \$ 2,084,311           | 3.64% | \$ 75,869                         |
| MWRA - Sewer          | \$ 3,690,804           | 2.88% | 106,295                           |
| MBTA and MWRTA        | \$ 5,656,191           | 0.27% | <u>15,272</u>                     |
|                       | Total overlapping debt |       | <u>\$ 197,436</u>                 |

**F. 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, 2017:

|  |                      |    |                      |
|--|----------------------|----|----------------------|
| Revised equalized valuation - FY2016   |                      | \$ | <u>8,435,546,100</u> |
| Debt limit - 5% of equalized valuation |                      | \$ | 421,777,305          |
| Total debt principal outstanding       | 215,500,852          |    |                      |
| Less: debt exempt from limit           | <u>(104,493,441)</u> |    | <u>111,007,411</u>   |
| Legal Debt Margin                      |                      | \$ | <u>310,769,894</u> * |

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

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

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

|                                       | Total<br>Balance<br>7/1/16 | Additions            | Reductions             | Total<br>Balance<br>6/30/17 | Less<br>Current<br>Portion | Equals<br>Long-Term<br>Portion<br>6/30/17 |
|---------------------------------------|----------------------------|----------------------|------------------------|-----------------------------|----------------------------|---|
| <b><u>Governmental Activities</u></b> |                            |                      |                        |                             |                            |   |
| Bonds payable                         | \$ 65,388,457              | \$ 10,728,765        | \$ (11,611,947)        | \$ 64,505,275               | \$ (10,873,114)            | \$ 53,632,161                             |
| Unamortized premiums                  | 3,717,298                  | 997,462              | (171,834)              | 4,542,926                   | (221,707)                  | 4,321,219                                 |
| Subtotal bonds payable                | 69,105,755                 | 11,726,227           | (11,783,781)           | 69,048,201                  | (11,094,821)               | 57,953,380                                |
| Net pension liability                 | 100,700,437                | 17,410,612           | -                      | 118,111,049                 | -                          | 118,111,049                               |
| Net OPEB liability                    | 295,491,053                | 12,099,056           | -                      | 307,590,109                 | -                          | 307,590,109                               |
| Accrued employee benefits             | 3,827,422                  | 114,823              | -                      | 3,942,245                   | (2,562,017)                | 1,380,228                                 |
| Capital leases                        | 5,965,757                  | 1,252,753            | (250,552)              | 6,967,958                   | (486,579)                  | 6,481,379                                 |
| Totals                                | \$ <u>475,090,424</u>      | \$ <u>42,603,471</u> | \$ <u>(12,034,333)</u> | \$ <u>505,659,562</u>       | \$ <u>(14,143,417)</u>     | \$ <u>491,516,145</u>                     |

|  | Total<br>Balance<br>7/1/16 | Additions            | Reductions             | Total<br>Balance<br>6/30/17 | Less<br>Current<br>Portion | Equals<br>Long-Term<br>Portion<br>6/30/17 |
|--|----------------------------|----------------------|------------------------|-----------------------------|----------------------------|---|
| <b><u>Business-Type Activities</u></b> |                            |                      |                        |                             |                            |   |
| Bonds payable                          | \$ 143,432,880             | \$ 20,053,268        | \$ (12,490,571)        | \$ 150,995,577              | \$ (11,326,155)            | \$ 139,669,422                            |
| Unamortized premiums                   | 6,385,117                  | 765,509              | (332,181)              | 6,818,445                   | (370,457)                  | 6,447,988                                 |
| Subtotal bonds payable                 | 149,817,997                | 20,818,777           | (12,822,752)           | 157,814,022                 | (11,696,612)               | 146,117,410                               |
| Net pension liability                  | 2,107,565                  | 364,387              | -                      | 2,471,952                   | -                          | 2,471,952                                 |
| Net OPEB liability                     | 6,128,817                  | 250,948              | -                      | 6,379,765                   | -                          | 6,379,765                                 |
| Accrued employee benefits              | 162,368                    | 4,871                | -                      | 167,239                     | (153,009)                  | 14,230                                    |
| Totals                                 | \$ <u>158,216,747</u>      | \$ <u>21,438,983</u> | \$ <u>(12,822,752)</u> | \$ <u>166,832,978</u>       | \$ <u>(11,849,621)</u>     | \$ <u>154,983,357</u>                     |

**16. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension will be recognized in pension expense in future years and are more fully described in Note 20.

The following is a summary of deferred inflow of resources balances as of June 30, 2017:

|                          | Entity-wide Basis          |                             | Fund Basis                   |                   |                              |
|--------------------------|----------------------------|-----------------------------|------------------------------|-------------------|------------------------------|
|                          | Governmental<br>Activities | Business-type<br>Activities | Governmental<br>General Fund | Funds<br>Nonmajor | Proprietary Funds<br>Utility |
| Unavailable revenues     | \$ -                       | \$ -                        | \$ 7,431,603                 | \$ 931,670        | \$ -                         |
| Gains on refunding bonds | <u>315,422</u>             | <u>512,245</u>              | <u>-</u>                     | <u>-</u>          | <u>512,245</u>               |
| Total                    | <u>\$ 315,422</u>          | <u>\$ 512,245</u>           | <u>\$ 7,431,603</u>          | <u>\$ 931,670</u> | <u>\$ 512,245</u>            |

*Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

*Gains on refunding bonds* are reported in the government-wide and proprietary statements of net position in connection with the unamortized amount of gains resulting from the refunding of long-term bonds.

**17. 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.

**18. 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, 2017:

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 restricted funds for debt service, 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 and various capital project 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, 2017:

|                                    | General<br>Fund      | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------------------------|----------------------|-----------------------------------|--------------------------------|
| <b>Nonspendable</b>                |                      |                                   |                                |
| Prepaid expenditures               | \$ 34,359            | \$ -                              | \$ 34,359                      |
| Petty cash                         | 550                  | -                                 | 550                            |
| Nonexpendable permanent funds      | <u>-</u>             | <u>523,192</u>                    | <u>523,192</u>                 |
| Total Nonspendable                 | 34,909               | 523,192                           | 558,101                        |
| <b>Restricted</b>                  |                      |                                   |                                |
| Debt service                       | 45,313               | -                                 | 45,313                         |
| Bonded projects:                   |                      |                                   |                                |
| Bowditch master plan               | -                    | 875,692                           | 875,692                        |
| Other projects                     | -                    | 971,358                           | 971,358                        |
| Special revenue funds:             |                      |                                   |                                |
| MA Dept of Energy resources        | -                    | 105,842                           | 105,842                        |
| Framingham State College           | -                    | 250,000                           | 250,000                        |
| State special ed reimb. fund       | -                    | 1,809,174                         | 1,809,174                      |
| Sale of real estate                | -                    | 349,196                           | 349,196                        |
| Government access cable television | -                    | 1,690,116                         | 1,690,116                      |
| School food service                | -                    | 1,080,102                         | 1,080,102                      |
| Civic use - television             | -                    | 357,422                           | 357,422                        |
| Tuition - blocks                   | -                    | 847,373                           | 847,373                        |
| Other special revenue funds        | -                    | 3,921,538                         | 3,921,538                      |
| Expendable permanent funds:        |                      |                                   |                                |
| Edgell Grove Cemetery trust        | -                    | 1,079,814                         | 1,079,814                      |
| Scott trust fund                   | -                    | 382,892                           | 382,892                        |
| Other expendable permanent funds   | <u>-</u>             | <u>829,610</u>                    | <u>829,610</u>                 |
| Total Restricted                   | 45,313               | 14,550,129                        | 14,595,442                     |
| <b>Committed</b>                   |                      |                                   |                                |
| Articles                           | 109,574              | -                                 | 109,574                        |
| Stabilization funds                | 6,240,004            | -                                 | 6,240,004                      |
| Capital project funds              | <u>404,500</u>       | <u>196,457</u>                    | <u>600,957</u>                 |
| Total Committed                    | 6,754,078            | 196,457                           | 6,950,535                      |
| <b>Assigned</b>                    |                      |                                   |                                |
| Encumbered for:                    |                      |                                   |                                |
| General government                 | 185,565              | -                                 | 185,565                        |
| Public safety                      | 245,279              | -                                 | 245,279                        |
| Public works                       | 177,345              | -                                 | 177,345                        |
| Employee benefits                  | 452,380              | -                                 | 452,380                        |
| Articles                           | 485,526              | -                                 | 485,526                        |
| Other                              | 308,365              | -                                 | 308,365                        |
| For next year's expenditures       | <u>10,444,113</u>    | <u>-</u>                          | <u>10,444,113</u>              |
| Total Assigned                     | 12,298,573           | -                                 | 12,298,573                     |
| Unassigned <sup>(1)</sup>          | <u>32,318,106</u>    | <u>(11,579,662)</u>               | <u>20,738,444</u>              |
| Total Unassigned                   | <u>32,318,106</u>    | <u>(11,579,662)</u>               | <u>20,738,444</u>              |
| Total Fund Balance                 | <u>\$ 51,450,979</u> | <u>\$ 3,690,116</u>               | <u>\$ 55,141,095</u>           |

<sup>(1)</sup> Includes General Stabilization fund balance of \$14,963,130.

**19. 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 | \$ 32,318,106               |
| Less: General Stabilization   | (14,963,130)                |
| Tax refund estimate           | <u>5,078,494</u>            |
| Statutory (UMAS) Balance      | <u><u>\$ 22,433,470</u></u> |

**20. 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 January 1, 2016 (the latest actuarial valuation):

|  |                     |
|--|---------------------|
| Retirees and beneficiaries receiving benefits                      | 808                 |
| Terminated plan members entitled to but not yet receiving benefits | 293                 |
| Active plan members  | <u>1,191</u>        |
| Total  | <u><u>2,292</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%, 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.

If a participant was a member prior to February 2012, 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, 2017 was \$12,941,893, 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, 2017 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 December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 7.45%. 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, 2016 and rolled forward to December 31, 2016.

The components of the net pension liability of the participating employers at June 30, 2017 were as follows (in thousands):

Net Pension Liability of Employers

|  |                   |
|--|-------------------|
| Total pension liability  | \$ 401,569        |
| Plan fiduciary net position  | <u>(274,049)</u>  |
| Employers' net pension liability                                       | <u>\$ 127,520</u> |
| Plan fiduciary net position as a percentage of total pension liability | 68.2%             |

*D. Actuarial Assumptions*

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

|   |   |
|---|---|
| Valuation Date                            | January 1, 2016 rolled forward to December 31, 2016 |
| Actuarial cost method                     | Entry Age Normal Cost Method                        |
| Actuarial assumptions:                    |   |
| Investment rate of return                 | 7.50%   |
| 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.

Mortality rates were based on the following:

- Pre-retirement mortality reflects RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct).
- Post-retirement mortality reflects RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).
- For disabled members, the mortality rate is assumed to be in accordance with the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2012 (gender distinct).

### 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                                 | 18.00%                         | 7.63%   |
| International equity                            | 22.00%                         | 8.72%   |
| Fixed Income                                    | 19.00%                         | 5.07%   |
| Private equity                                  | 10.00%                         | 9.50%   |
| Real estate                                     | 10.00%                         | 6.50%   |
| Timber/Natural Resources                        | 4.00%                          | 6.00%   |
| Private Debt                                    | 4.00%                          | 9.06%   |
| Hedge Funds and Portfolio Completion Strategies | <u>13.00%</u>                  | 6.50%   |
| Total   | <u>100.00%</u>                 |   |

*E. Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. 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.

*F. 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 7.50%, 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 one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the current rate (in thousands):

| <u>Fiscal Year Ended</u> | <u>1%<br/>Decrease<br/>(6.50%)</u> | <u>Current<br/>Discount<br/>Rate<br/>(7.50%)</u> | <u>1%<br/>Increase<br/>(8.50%)</u> |
|--------------------------|------------------------------------|--|------------------------------------|
| June 30, 2017            | \$ 163,422                         | \$ 120,583                                       | \$ 84,249                          |

*G. Pension Plan Fiduciary Net Position*

At June 30, 2017, the Town reported a liability of \$120,583,001 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. 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%. At the most recent measurement date of December 31, 2016, the Town's proportion was 94.56%, which was a decrease of 0.63% from its previous year proportion.

For the year ended June 30, 2017, the Town recognized pension expense of \$17,962,000. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Differences between expected and actual experience   | \$ 3,335,000                                  | \$ -   |
| Changes of assumptions   | 13,492,000                                    | -  |
| Net difference between projected and actual earnings on pension plan investments                     | 10,949,001                                    | -  |
| Changes in proportion and differences between contributions and proportionate share of contributions | <u>47,000</u>                                 | <u>488,000</u>                               |
| Total  | <u>\$ 27,823,001</u>                          | <u>\$ 488,000</u>                            |

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

| Year ended June 30: | <u>Net Deferred<br/>Outflows (Inflows)<br/>of Resources</u> |
|---------------------|---|
| 2018                | \$ 7,234,000  |
| 2019                | 7,234,000   |
| 2020                | 7,124,000   |
| 2021                | 3,612,000   |
| 2022                | <u>2,131,001</u>  |
| Total               | <u>\$ 27,335,001</u>  |

## 21. **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, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. This valuation used the following assumptions:

- (a) 7.50% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% 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, 2016 are summarized in the following table:

| <u>Asset Class</u>              | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------------|--------------------------|---|
| Global equity                   | 40.0%                    | 6.9%  |
| Core fixed income               | 13.0%                    | 1.6%  |
| Private equity                  | 10.0%                    | 8.7%  |
| Real estate                     | 10.0%                    | 4.6%  |
| Value added fixed income        | 10.0%                    | 4.8%  |
| Hedge funds                     | 9.0%                     | 4.0%  |
| Portfolio completion strategies | 4.0%                     | 3.6%  |
| Timber/natural resources        | 4.0%                     | 5.4%  |
| Total                           | <u>100.0%</u>            |   |

*E. Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. 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</u><br><u>Ended</u> | <u>1% Decrease</u><br><u>to 6.50%</u> | <u>Current Discount</u><br><u>Rate 7.50%</u> | <u>1% Increase</u><br><u>to 8.50%</u> |
|------------------------------------|---------------------------------------|--|---------------------------------------|
| June 30, 2016                      | \$ 27,464,000                         | \$ 22,357,928                                | \$ 18,022,000                         |

*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 2017 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability and pension expense was \$237,979,362 and \$24,275,455, respectively, based on a proportionate share of 1.064407%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expenditure in the general fund.

## 22. Other Post-Employment Benefits – OPEB (GASB 74/75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. These statements establish standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. These statements identify the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about OPEB also are addressed.

### A. General Information about the OPEB Plan

*Plan description.* The Town provides healthcare for retired employees through its single-employer defined benefit Other Post-Employment Benefit (OPEB) plan. Chapter 32B of the Massachusetts General Laws (MGL) establishes the benefits, benefit levels, employee contributions and employer contributions requirements. The OPEB plan is administered through a trust, established in April 2012, that meets the criteria in paragraph 4 of GASB Statement No. 75. The OPEB plan does not issue a stand-alone financial report.

*Benefits provided.* Retirees and their covered dependents are eligible to participate in the Town's medical, dental, and life insurance programs. Generally, an employee who retires after the earlier of (a) age 55 with at least 10 years of service or (b) 20 years of service meet the eligibility criteria and will receive these benefits.

At June 30, 2017, the following employees were covered by the benefit terms:

|  |                     |
|--|---------------------|
| Inactive employees or beneficiaries currently receiving benefits | 1,343               |
| Active employees   | <u>1,660</u>        |
| Total  | <u><u>3,003</u></u> |

*Contributions.* Retirees contribute between 16% and 22.5% toward medical coverage and 85% toward dental coverage, for both individual and dependent coverage. The Town will pay 75% toward \$5,000 life insurance coverage. The Town contributes the remainder of the OPEB plan costs on a pay-as-you-go basis, however, the Town has adopted a policy to fund the OPEB trust with approximately 20% of free cash available after accounting for stabilization funding.

**B. Net OPEB Liability**

The Town's net OPEB liability of \$313,969,874 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016. Changes in the net OPEB liability are as follows:

|                           | Increase (Decrease)     |                                   |                       |
|---------------------------|-------------------------|-----------------------------------|-----------------------|
|                           | Total OPEB<br>Liability | Plan<br>Fiduciary<br>Net Position | Net OPEB<br>Liability |
| Balances at June 30, 2016 | \$ 305,850,135          | \$ 4,230,266                      | \$ 301,619,869        |
| Changes for the year:     |                         |                                   |                       |
| Service cost              | 11,789,210              | -                                 | 11,789,210            |
| Interest                  | 12,026,552              | -                                 | 12,026,552            |
| Contributions - employer  | -                       | 11,124,352                        | (11,124,352)          |
| Net investment income     | -                       | 341,405                           | (341,405)             |
| Benefit payments          | <u>(10,372,642)</u>     | <u>(10,372,642)</u>               | <u>-</u>              |
| Net changes               | <u>13,443,120</u>       | <u>1,093,115</u>                  | <u>12,350,005</u>     |
| Balances at June 30, 2017 | <u>\$ 319,293,255</u>   | <u>\$ 5,323,381</u>               | <u>\$ 313,969,874</u> |

**C. Actuarial Assumptions and Other Inputs**

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

|                             |  |
|-----------------------------|--|
| Inflation                   | 3.00%  |
| Salary increases            | 3.00%, average, including inflation  |
| Investment rate of return   | 4.00%, net of OPEB plan investment expense, including inflation  |
| Healthcare cost trend rates | 8.00% for year 1, decreasing 0.5% percentage points per year to an ultimate rate of 5.00% after year 7 |

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2016.

The Town does not have an investment policy detailing the assumed asset allocation on the OPEB plan's portfolio along with the long-term expected real rate of return for each major asset class.

*Discount rate.* The discount rate used to measure the total OPEB liability was 4.00%. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at current contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit pay-

ments of current plan members. Therefore, the expected rate of return on OPEB plan investments was based on the S&P Municipal Bond 20-year High Grade Rate Index and was applied to all periods of projected benefit payments to determine the total OPEB liability.

**D. Sensitivity of the Net OPEB Liability**

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00%) or 1-percentage-point higher (5.00%) than the current discount rate:

| 1% Decrease<br>(3.00%) | Discount Rate<br>(4.00%) | 1% Increase<br>(5.00%) |
|------------------------|--------------------------|------------------------|
| \$ 381,444,636         | \$ 313,969,874           | \$ 260,344,746         |

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.50% decreasing to 4.00%) or 1-percentage-point higher (9.50% decreasing to 6.00%) than the current healthcare cost trend rates:

| 1% Decrease<br>(7.50%<br>decreasing to<br>4.00%) | Healthcare Cost<br>Trend Rates<br>(8.50%<br>decreasing to<br>5.00%) | 1% Increase<br>(9.50%<br>decreasing to<br>6.00%) |
|--|---|--|
| \$ 253,769,735                                   | \$ 313,969,874  | \$ 387,243,793                                   |

**E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2017, the Town recognized an OPEB expense of \$23,815,762. At June 30, 2017, the Town did not report deferred outflows of resources and deferred inflows of resources related to OPEB.

**23. 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, 2017 are as follows:

|   | <u>Dental<br/>Coverage</u> |
|---|----------------------------|
| Claims liability, beginning of year               | \$ 6,884,325               |
| Claims incurred/recognized<br>in fiscal year 2017 | 3,034,481                  |
| Claims paid in fiscal year 2017                   | <u>(4,548,990)</u>         |
| Claims liability, end of year                     | <u>\$ 5,369,816</u>        |

The \$5,369,816 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.

## **24. Subsequent Events**

### Debt

Subsequent to June 30, 2017, the Town has incurred the following additional debt:

|                          | <u>Amount</u> | <u>Interest<br/>Rate</u> | <u>Issue<br/>Date</u> | <u>Maturity<br/>Date</u> |
|--------------------------|---------------|--------------------------|-----------------------|--------------------------|
| General obligation bonds | \$ 36,186,000 | 3.00-5.00%               | 12/07/17              | 12/01/37                 |

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

### Change in Government

On April 4, 2017, Framingham voters approved a ballot question to change the Town's charter to a City form of government.

On November 7, 2017, the Framingham voters elected Yvonne M. Spicer as its first ever mayor, as well as an 11-member city council (2 at-large and 9 district councilors) and a 9-member school committee. The new leaders began serving on January 1, 2018.

Per the newly adopted charter, all Town officers and employees shall continue to perform their duties in the same manner and to the same extent as they have performed the same prior to the ratification by the voter of the home rule charter, but, being cognizant that on the first business day of January 2018, the executive authority will thereafter be vested in a mayor and the legislative powers shall be vested in a city council. All town officers and employees shall make every effort to provide a smooth and orderly transition from the pre-existing form of government to the new form of government.

## **25. 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.

## **26. 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.

**27. Beginning Net Position Restatement**

The beginning (July 1, 2016) net position of the Town has been restated as follows:

Government-Wide Financial Statements:

|                        | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> |
|------------------------|------------------------------------|-------------------------------------|
| As previously reported | \$ 3,632,618                       | \$ 72,778,898                       |
| Implement GASB 75      | <u>(185,266,491)</u>               | <u>(2,336,847)</u>                  |
| As restated            | <u>\$ (181,633,873)</u>            | <u>\$ 70,442,051</u>                |

|                        | <u>Utility Fund</u>  |
|------------------------|----------------------|
| As previously reported | \$ 72,778,898        |
| Implement GASB 75      | <u>(2,336,847)</u>   |
| As restated            | <u>\$ 70,442,051</u> |

TOWN OF FRAMINGHAM, MASSACHUSETTS

SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY (GASB 68)

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017  
(Unaudited)

Framingham Retirement System

| Fiscal Year   | Measurement Date  | 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, 2017 | December 31, 2016 | 94.56%                                  | \$120,583,001                                    | \$ 60,584,138   | 199.03%   | 68.24%  |
| June 30, 2016 | December 31, 2015 | 95.19%                                  | \$102,808,000                                    | \$ 55,714,767   | 184.53%   | 70.47%  |
| June 30, 2015 | December 31, 2014 | 95.11%                                  | \$88,609,000                                     | \$ 55,714,767   | 159.04%   | 73.55%  |

Massachusetts Teachers' Retirement System

| Fiscal Year   | Measurement Date | 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, 2017 | June 30, 2016    | 1.064407%                               | \$ -   | \$ 237,979,362   | \$ 237,979,362                                       | \$ 70,013,020   | -   | 52.73%  |
| June 30, 2016 | June 30, 2015    | 1.047958%                               | \$ -   | \$ 214,722,934   | \$ 214,722,934                                       | \$ 66,428,884   | -   | 55.38%  |
| June 30, 2015 | June 30, 2014    | 1.031853%                               | \$ -   | \$ 164,027,046   | \$ 164,027,046                                       | \$ 63,322,829   | -   | 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 (GASB 68)**

**REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2017**

**(Unaudited)**

| Framingham Retirement System |  |   |   |                            |   |
|------------------------------|--|---|---|----------------------------|---|
| <u>Fiscal<br/>Year</u>       | <u>Contractually<br/>Required<br/>Contribution</u> | Contributions in<br>Relation to the<br><u>Contractually<br/>Required<br/>Contribution</u> | <u>Contribution<br/>Deficiency<br/>(Excess)</u> | <u>Covered<br/>Payroll</u> | <u>Contributions as<br/>a Percentage of<br/>Covered Payroll</u> |
| June 30, 2017                | \$ 12,941,893                                      | \$ 12,941,893   | \$ -  | \$ 60,584,138              | 21.36%  |
| 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 (GASB 67)**

(Unaudited)  
(in thousands)

|   | <u>2016</u>              | <u>2015</u>              | <u>2014</u>              |
|---|--------------------------|--------------------------|--------------------------|
| <b>Total pension liability</b>                              |                          |                          |                          |
| Service cost  | \$ 9,458                 | \$ 8,051                 | \$ 7,704                 |
| Interest on unfunded liability - time value of \$           | 27,295                   | 27,088                   | 26,082                   |
| Changes of benefit terms                                    |                          | -                        | -                        |
| Differences between expected and actual experience          | 4,294                    | -                        | -                        |
| Changes of assumptions                                      | 17,370                   | -                        | -                        |
| Benefit payments, including refunds of member contributions | <u>(22,645)</u>          | <u>(21,633)</u>          | <u>(20,678)</u>          |
| Net change in total pension liability                       | 35,772                   | 13,506                   | 13,108                   |
| Total pension liability - beginning                         | <u>365,797</u>           | <u>352,291</u>           | <u>339,183</u>           |
| <b>Total pension liability - ending (a)</b>                 | <b><u>\$ 401,569</u></b> | <b><u>\$ 365,797</u></b> | <b><u>\$ 352,291</u></b> |
| <b>Plan fiduciary net position</b>                          |                          |                          |                          |
| Contributions - employer                                    | \$ 13,756                | \$ 13,103                | \$ 12,470                |
| Contributions - member                                      | 6,492                    | 6,086                    | 5,653                    |
| Net investment income                                       | 18,969                   | 1,423                    | 18,194                   |
| Benefit payments, including refunds of member contributions | (22,645)                 | (21,633)                 | (20,678)                 |
| Administrative expense                                      | (327)                    | (327)                    | (351)                    |
| Other   | <u>10</u>                | <u>15</u>                | <u>23</u>                |
| Net change in plan fiduciary net position                   | 16,255                   | (1,333)                  | 15,311                   |
| Plan fiduciary net position - beginning                     | <u>257,794</u>           | <u>259,127</u>           | <u>243,816</u>           |
| <b>Plan fiduciary net position - ending (b)</b>             | <b><u>\$ 274,049</u></b> | <b><u>\$ 257,794</u></b> | <b><u>\$ 259,127</u></b> |
| <b>Net pension liability (asset) - ending (a-b)</b>         | <b><u>\$ 127,520</u></b> | <b><u>\$ 108,003</u></b> | <b><u>\$ 93,164</u></b>  |

*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 (GASB 67)**

(Unaudited)  
(in thousands)

**Schedule of Net Pension Liability**

|   | <u>2016</u>       | <u>2015</u>       | <u>2014</u>      |
|---|-------------------|-------------------|------------------|
| Total pension liability   | \$ 401,569        | \$ 365,797        | \$ 352,291       |
| Plan fiduciary net position   | <u>(274,049)</u>  | <u>(257,794)</u>  | <u>(259,127)</u> |
| Net pension liability (asset)   | <u>\$ 127,520</u> | <u>\$ 108,003</u> | <u>\$ 93,164</u> |
| <br>  |                   |                   |                  |
| Plan fiduciary net position as a percentage of the total pension liability              | 68.2%             | 70.5%             | 73.6%            |
| Covered payroll   | \$ 64,070         | \$ 55,766         | \$ 55,766        |
| <br>  |                   |                   |                  |
| Participating employer net pension liability (asset) as a percentage of covered payroll | 199.0%            | 193.7%            | 167.1%           |

**Schedule of Contributions**

|  | <u>2016</u>   | <u>2015</u>   | <u>2015</u>   |
|--|---------------|---------------|---------------|
| Actuarially determined contribution                                  | \$ 13,686     | \$ 13,035     | \$ 12,414     |
| Contributions in relation to the actuarially determined contribution | <u>13,686</u> | <u>13,035</u> | <u>12,414</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   |
| <br>   |               |               |               |
| Covered payroll  | \$ 64,070     | \$ 55,766     | \$ 55,766     |
| Contributions as a percentage of covered payroll                     | 21.36%        | 23.37%        | 22.26%        |

**Schedule of Investment Returns**

*Year Ended December 31*

|   | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|-------------|
| Annual money weighted rate of return, net of investment expense | 7.45%       | 0.55%       | 7.69%       |

*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  
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Schedule of Changes in the Net OPEB Liability (GASB 74/75)**

(Unaudited)

|   | <u>2017</u>                         |
|---|-------------------------------------|
| <b>Total OPEB liability</b>                                 |                                     |
| Service cost  | \$ 11,789,210                       |
| Interest on unfunded liability - time value of \$           | 12,026,552                          |
| Benefit payments, including refunds of member contributions | <u>(10,372,642)</u>                 |
| Net change in total OPEB liability                          | 13,443,120                          |
| Total OPEB liability - beginning                            | <u>305,850,135</u>                  |
| <b>Total OPEB liability - ending (a)</b>                    | <b><u><u>\$ 319,293,255</u></u></b> |
| <b>Plan fiduciary net position</b>                          |                                     |
| Contributions - employer                                    | \$ 11,124,352                       |
| Net investment income                                       | 341,405                             |
| Benefit payments, including refunds of member contributions | <u>(10,372,642)</u>                 |
| Net change in plan fiduciary net position                   | 1,093,115                           |
| Plan fiduciary net position - beginning                     | <u>4,230,266</u>                    |
| <b>Plan fiduciary net position - ending (b)</b>             | <b><u><u>\$ 5,323,381</u></u></b>   |
| <b>Net OPEB liability (asset) - ending (a-b)</b>            | <b><u><u>\$ 313,969,874</u></u></b> |

*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  
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74/75)**

(Unaudited)

**Schedule of Net OPEB Liability**

|   | <u>2017</u>           |
|---|-----------------------|
| Total OPEB liability  | \$ 319,293,255        |
| Plan fiduciary net position   | <u>5,323,381</u>      |
| Net OPEB liability (asset)  | <u>\$ 313,969,874</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability                 | 1.67%                 |
| Covered payroll   | \$ 111,000,000        |
| Participating employer net OPEB liability (asset)<br>as a percentage of covered payroll | 282.86%               |

**Schedule of Contributions**

|  | <u>2017</u>          |
|--|----------------------|
| Actuarially determined contribution                                  | \$ 23,815,762        |
| Contributions in relation to the actuarially determined contribution | <u>11,537,855</u>    |
| Contribution deficiency (excess)                                     | <u>\$ 12,277,907</u> |
| Covered payroll  | \$ 111,000,000       |
| Contributions as a percentage of covered payroll                     | 10.39%               |

**Schedule of Investment Returns**

|   | <u>2017</u> |
|---|-------------|
| Annual money weighted rate of return, net of investment expense | 3.00%       |

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