

OFFICIAL STATEMENT DATED FEBRUARY 18, 2015

Rating: See "Rating" herein.
Standard & Poor's Rating Group: AA+

New Issue

In the opinion of Locke Lord LLP (as successor by merger to Edwards Wildman Palmer LLP), Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. See "Tax Exemption" herein.

TOWN OF FRANKLIN, MASSACHUSETTS \$6,920,000 General Obligation Refunding Bonds

DATED
Date of Delivery

DUE
March 15
(as shown below)

The Bonds are issuable only in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form in the denomination of \$5,000, or any integral multiple thereof. (See "Book-Entry-Transfer System" herein.)

Principal of the Bonds will be paid on March 15 of the years in which the Bonds mature. Interest on the Bonds will be payable semiannually on September 15 and March 15 commencing September 15, 2015, until the principal amount is paid. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are not subject to redemption prior to their stated maturity dates as described herein.

In the opinion of Bond Counsel, the Bonds are valid general obligations of the Town of Franklin, Massachusetts and, to the extent not paid from other sources, the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property in the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the Bonds that the Town has voted to exempt from the tax limitations of Proposition 2½, and subject to the tax limitations of Proposition 2½ with respect to the portion that the Town has not voted to exempt from such limitations.

MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIPS

<u>Due</u> <u>March 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Cusip</u> <u>353838</u>
2017	\$ 540,000	2.00 %	0.55 %	WU5
2018	710,000	3.00	0.88	WV3
2019	715,000	3.00	1.11	WW1
2020	710,000	3.00	1.33	WX9
2021	705,000	4.00	1.50	WY7
2022	705,000	4.00	1.78	WZ4
2023	685,000	4.00	1.95	XA8
2024	680,000	4.00	2.15	XB6
2025	645,000	4.00	2.27	XC4
2026	645,000	4.00	2.39	XD2
2027	180,000	3.00	2.65	XE0

The Bonds are offered subject to the final approving opinion of Locke Lord LLP (as successor by merger to Edwards Wildman Palmer LLP), Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company, LLC has acted as Financial Advisor to the Town of Franklin, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to The Depository Trust Company, or its custodial agent, on or about February 25, 2015, against payment in federal reserve funds.

JANNEY MONTGOMERY SCOTT LLC

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The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale:	Wednesday, February 18, 2015, 11:00 a.m. (E.T.).
Location of Sale:	First Southwest Company, LLC, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.
Issuer:	Town of Franklin, Massachusetts.
Issue:	\$6,920,000 General Obligation Refunding Bonds, see "THE BONDS - Book-Entry Transfer System" herein.
Official Statement Dated:	February 18, 2015.
Dated Date of the Bonds:	Date of Delivery.
Principal Due:	Serially March 15, 2017 through March 15, 2027 as detailed herein.
Purpose and Authority:	Bond proceeds will refinance bonds originally issued to finance various municipal projects as authorized by Town Council under provisions of Chapter 44, Sections 7 and 8 of the Massachusetts General Laws as detailed herein.
Redemption:	The Bonds are not subject to redemption prior to their stated maturity dates as described herein.
Security:	The Bonds will be valid general obligations of the Town of Franklin, Massachusetts, and, to the extent not paid from other sources, the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property in the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the Bonds that the Town has voted to exempt from the tax limitations of Proposition 2½, and subject to the tax limitations of Proposition 2½ with respect to the portion that the Town has not voted to exempt from such limitations.
Credit Rating:	Standard & Poor's Rating Group has assigned a rating of AA+ to the Bonds.
Bond Insurance:	The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date.
Tax Exemption:	Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion."
Continuing Disclosure:	Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."
Bank Qualification:	The Bonds will not be designated by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Paying Agent/Escrow Agent	U.S. Bank National Association, Boston, Massachusetts.
Verification Agent:	Grant Thornton LLP, Minneapolis, Minnesota.
Legal Opinion:	Locke Lord LLP (as successor by merger to Edwards Wildman Palmer LLP), Boston, Massachusetts.
Financial Advisor:	First Southwest Company, LLC, Boston, Massachusetts.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about February 25, 2015, against payment in Federal Funds.
Additional Information:	Questions concerning the Official Statement should be addressed to: Mr. James P. Dacey, Treasurer/Collector, Town of Franklin, Massachusetts, Tel: (508) 553-4878 or Peter Frazier, Senior Vice President, First Southwest Company, LLC, Boston, Massachusetts, Tel: (617) 619-4409.

NOTICE OF SALE
TOWN OF FRANKLIN, MASSACHUSETTS
\$7,015,000* GENERAL OBLIGATION REFUNDING BONDS

Sealed or electronic (as described below) proposals will be received by the Treasurer of the Town of Franklin, Massachusetts, until 11:00 A. M. Eastern Time on Wednesday, February 18, 2015, for the purchase of the following described Bonds of the Town (the "Bonds"):

\$7,015,000* General Obligation Refunding Bonds, payable on March 15 in the years and amounts as follows:

<u>Due March 15</u>	<u>Principal Amount*</u>
2016	\$ 5,000
2017	540,000
2018	730,000
2019	720,000
2020	720,000
2021	715,000
2022	715,000
2023	695,000
2024	690,000
2025	655,000
2026	650,000
2027	180,000

*Preliminary, subject to change.

The Bonds will be dated their date of delivery. Principal of the Bonds will be payable on March 15 of the years in which the Bonds mature. Interest will be payable semiannually on September 15 and March 15 commencing September 15, 2015.

The Bonds will be issued in fully registered form by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York, ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, will be evidenced by the book-entry system, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Principal of and interest on the Bonds will be payable to DTC or its nominee as the registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of the Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising, or reviewing the records maintained by DTC, its participants, or persons acting through such participants.

The Bonds are not subject to redemption prior to their stated maturity dates as detailed herein.

Principal of and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to the Bondowner. Disbursements of such payments to the DTC Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity, **(b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 2 percent, (c) any coupon in excess of 2.0% for the Bonds maturing March 15, 2016 and March 15, 2017, inclusive, (d) any coupon in excess of 3.0% for the Bonds maturing March 15, 2018 through March 15, 2020, inclusive, and (e) any coupon in excess of 4.0% for the Bonds maturing March 15, 2021 through March 15, 2027, inclusive. No bid of less than par will be considered.**

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of February 25, 2015, discounts semiannually all future payments of principal of and interest on the Bonds to the price bid, not including interest accrued to the date of delivery, which accrued interest shall be paid by the successful bidder. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the Town Treasurer by lot among all such proposals.

The Town reserves the right to change the aggregate principal amount of the Bonds to be issued for refunding purposes and the maturity schedule after the determination of the winning bid by increasing or decreasing the aggregate principal amount and the principal amount of each maturity by such amounts as may be necessary to (a) produce sufficient funds to effect the refunding for which the Bonds are being issued in part after taking into account any premium to be received by the Town and the actual investment yield at which the proceeds of the Bonds are to be invested, and (b) to account for any changes in the bonds to be refunded with the proceeds of the Bonds based on the actual debt service savings to be realized by the Town. In such event, the final aggregate principal amount of the Bonds will be increased or decreased by not more than fifteen percent (15%) of the aggregate principal amount of the Bonds stated in this Notice of Sale. The dollar amount bid for the Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder for the Bonds by 4 P.M. on the day of the sale.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Mr. James P. Dacey, Treasurer, Town of Franklin, Massachusetts c/o First Southwest Company, LLC, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114. Proposals by telegram delivered as specified above will be accepted. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to First Southwest Company, LLC, telephone (617) 619-4400 at least one-half hour prior to the 11:00 a.m. (Eastern Time) sale and after receipt of the faxed bid form by First Southwest Company, LLC. First Southwest Company, LLC will act as agent for the bidder, but neither the Town nor First Southwest Company, LLC shall be responsible for any errors in connection with bids submitted in this manner. Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by faxing or emailing a completed, signed bid form to the financial advisor by not later than 12 Noon, Eastern Time, on the date of sale.
- (b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

The right is reserved to reject any or all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Mayor of the Town.

An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of February 18, 2015 (the "Sale Date"), the Purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that, contemporaneously with or before accepting the Bonds and paying therefore, it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP (as successor by merger to Edwards Wildman Palmer LLP), Boston, Massachusetts, substantially in the form presented in Appendix B to the Preliminary Official Statement dated February 6, 2015; (b) a certificate in form satisfactory to said firm, dated as of the date of delivery of the Bonds and receipt of payment therefore, to the effect that there is no litigation pending or, to the knowledge of the signer or signers thereof, threatened affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of his knowledge and belief, both the Preliminary Official Statement as of the date of sale and the Final Official Statement as of the date of delivery of the Bonds referred to below do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form presented in Appendix C to the Preliminary Official Statement.

The Town of Franklin has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefore, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of his contractual obligations arising from the acceptance of his proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Standard & Poor's Ratings Group for a rating on the Bonds. Any such fee paid to Standard & Poor's Ratings Group would be borne by the Town.

Additional information concerning the Town of Franklin and the Bonds is contained in the Preliminary Official Statement dated February 6, 2015, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only, and is not a part of this Notice of Sale. Such Preliminary Official Statement is deemed final by the Town as of its date for purposes of SEC Rule 15c2-12(b)(1) except for the omission of the reoffering price(s), interest rate(s), delivery date, any other terms of the Bonds depending on such matters, and the identity of the underwriter(s), but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement and a suggested form of proposal for the Bonds may be obtained from First Southwest Company, LLC, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114 (telephone: 617-619-4400). Within seven business days following award of the Bonds in accordance herewith and receipt of necessary information from the successful bidder, 10 copies of the Final Official Statement will be available from First Southwest Company, LLC to the successful bidder for use in reoffering the Bonds. Upon request additional copies will be provided at the expense of the requester.

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the Town, provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau or other charges that may be imposed for the assignment of such numbers.

The Bonds will NOT be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended (the "Code").

In order to assist bidders in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Issuer will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement.

The Bonds in definitive form will be delivered to The Depository Trust Company, or its custodial agent, on or about February 25, 2015, against payment in federal reserve funds.

TOWN OF FRANKLIN, MASSACHUSETTS
/s/ Mr. James P. Dacey, Treasurer

February 6, 2015

**OFFICIAL STATEMENT
TOWN OF FRANKLIN, MASSACHUSETTS
\$6,920,000 GENERAL OBLIGATION REFUNDING BONDS**

INTRODUCTION

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Franklin, Massachusetts (the "Town"), in connection with the sale of \$6,920,000 aggregate principal amount of its General Obligation Refunding Bonds dated February 25, 2015, referred to herein as the "Bonds." The information contained herein has been furnished by the Town, except information attributed to another governmental agency or official as the source.

The Bonds will be general obligations of the Town of Franklin for which its full faith and credit are pledged. Their payment is not limited to a particular fund or revenue source. For details, see "Security and Remedies," below.

THE BONDS

Description of the Bonds

The Bonds will be dated their date of delivery, and will bear interest payable semiannually on March 15 and September 15 of each year until maturity, commencing September 15, 2015, at the rate or rates of interest determined upon their sale in accordance with the Notice of Sale of the Town dated February 6, 2015. The Bonds shall mature on March 15 of the years and in the principal amounts as set forth on the cover page hereof.

The Bonds will be issued in fully registered form by means of a book-entry system with no physical distribution of Bond certificates made to the public. One Bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York, ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000, or integral multiples thereof, will be evidenced by the book-entry system, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC. Principal of and interest on the Bonds will be payable to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of the beneficial owners. The Town will not be responsible or liable for maintaining, supervising, or reviewing the records maintained by DTC, its participants, or persons acting through such participants.

Principal of and interest on the Bonds will be paid by U.S. National Bank Association, Boston, Massachusetts, or its successor, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the indirect Participants, as more fully described herein.

The Bonds are not subject to redemption prior to their stated maturity dates, as described below.

Record Date

The record date for each payment of interest is the last business day of the month preceding the interest payment date (the "Record Date"), provided that if such date is not a business day, the Record Date shall be the next succeeding business day, and further, provided that with respect to overdue interest or interest on any overdue amount, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the bondholders at least ten (10) days before the special record date.

Book-Entry-Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and each such certificate will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity securities, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of securities deposited with DTC system must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited with DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with DTC; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with DTC unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to

Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

Authorization of the Bonds and Use of Proceeds

The following table sets forth the principal amount, purpose, statutory reference and dates of approval, for the current offering of Bonds.

<u>This Issue</u>	<u>Purpose</u>	<u>Statutory (Reference Massachusetts General Laws, as amended)</u>	<u>Date of Authorization</u>
\$ 6,920,000	Refunding	Ch.44, s. 21A	11/19/2014

Bond proceeds will be used to refund a portion of the Town’s \$10,700,000 General Obligation Bonds dated March 15, 2006, maturing March 15 of the years 2017 through 2026, in the aggregate principal amount of \$5,300,000 and a portion of the Town’s \$4,295,000 General Obligation Water Bonds dated April 1, 2007, maturing April 1 of the years 2018 through 2027, in the aggregate principal amount of \$1,885,000 (together, the “Refunded Bonds”), and to pay costs of issuing the Bonds.

Plan of Refunding

Upon delivery of the Bonds, the Town will enter into a Refunding Escrow Agreement (the “Refunding Escrow Agreement”) with U.S. Bank National Association, as Escrow Agent, to provide for the refunding of the Refunded Bonds. Upon receipt of the portion of the proceeds of the Bonds necessary to refund the Refunded Bonds, the Escrow Agent will deposit in the Refunding Escrow Fund established under the Refunding Escrow Agreement an amount which will be held in cash and an amount which will be invested in direct obligations of the United States of America or obligations unconditionally guaranteed by the United States of America (“Government Obligations”) maturing in amounts and bearing interest at rates sufficient without reinvestment, together with the cash on deposit in the Refunding Escrow Fund, to pay when due, interest on, and upon redemption, the outstanding principal of and redemption premium on the Refunded Bonds. The Refunding Escrow Fund, including the interest earnings on the Government Obligations, will be pledged for the benefit of the holders of the Refunded Bonds.

Verification of Mathematical Computations

The accuracy of the mathematical computations relating to the adequacy of the maturing principal amounts of the Government Obligations together with the interest income thereon and uninvested funds, if any, to provide for the payment of the Refunded Bonds, will be verified by Grant Thornton LLP, independent certified public accountants. Such verification will be based upon information and assumptions supplied by First Southwest Company, LLC on behalf of the Town. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by First Southwest Company, LLC and has not evaluated or examined the assumptions or information used in the computations.

Sources and Uses of Bond Proceeds

Proceeds of the Bonds will be applied as follows:

Sources:

Par Amount of the Bonds	\$ 6,920,000.00
Premium	791,293.45
Total Sources	<u>\$ 7,711,293.45</u>

Uses:

Deposit to Refunding Escrow Fund	\$ 7,606,663.27
Purchaser's Discount	27,435.85
Costs of Issuance	77,194.33
Total Uses	<u>\$ 7,711,293.45</u>

Tax Exemption

In the opinion of Locke Lord LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Prospective Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

Security and Remedies

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "TYPES OF OBLIGATIONS – Serial Notes" under "INDEBTEDNESS" below) and setoffs of state distributions as described below (see "State Distributions" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments". Specific provision is also made for including in the next tax levy payments of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid, if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "Tax Limitations" Under "PROPERTY TAXATION" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "Debt Limits" under "INDEBTEDNESS" below.) Subject to the approval of the State Director of Accounts for

judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry fee, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on "qualified bonds" (See "TYPES OF OBLIGATIONS - Serial Bonds and Notes" under "INDEBTEDNESS" below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority, or for charges necessary to meet obligations under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by The Commonwealth of Massachusetts (the "Commonwealth") to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal Bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

Rating

Standard & Poor's Rating Group has assigned a rating of AA+ to the Bonds. Said rating, reflects only the rating agency's views and is subject to revision or withdrawal, which could affect the market price of the Bonds.

Opinion of Bond Counsel

The unqualified approving opinion as to the validity of the Bonds will be rendered by Locke Lord LLP (as successor by merger to Edwards Wildman Palmer LLP), of Boston, Massachusetts, Bond Counsel. The opinion will be dated the date of original delivery of the Bonds and will speak only as of such date. The proposed form of the legal opinion is set forth in Appendix B hereto.

Except as to matters expressly set forth in their opinion, the scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statement made in this Official Statement, and they make no representation that they have independently verified the same other than matters expressly set forth as their opinion.

Financial Advisory Services of First Southwest Company, LLC

First Southwest Company, LLC, Boston, Massachusetts, serves as financial advisor to the Town of Franklin.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain significant events. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and is incorporated by reference in the Bonds. The Town is the only "obligated person" with respect to the Bonds as defined in the Rule.

In the past five years, the Town has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of material events in accordance with the Rule.

TOWN OF FRANKLIN, MASSACHUSETTS

General

The Town of Franklin (the "Town"), which was incorporated in 1778, is located in Norfolk County, equidistant (approximately 28 miles) from Boston, Worcester and Providence, and with close proximity to Interstate Routes 95 and 495, and the Massachusetts Turnpike (Interstate Route 90). It is approximately 26.7 square miles in area and according to the 2010 federal census has a population of 31,635 persons. It is served by commuter rail service to Boston.

Local Government

Local legislative decisions are made by a Town Council consisting of 9 members elected for two-year terms. A Town Administrator, appointed by the Town Council, handles day-to-day matters. Local taxes are assessed by a three-person board of assessors elected for staggered four-year terms. Local school affairs are administered by a school committee of seven persons elected for two-year terms.

Principal Executive Officers

Following are the principal executive officers of the Town:

<u>Office</u>	<u>Name</u>	<u>Term and Manner of Selection</u>	<u>Term Expires</u>
Councilor	Peter Padula	Elected, 2 years	November 2015
Councilor	Stephen Williams	Elected, 2 years	November 2015
Councilor	Robert Vallee	Elected, 2 years	November 2015
Councilor	Robert Dellorco	Elected, 2 years	November 2015
Councilor	Judith Pond Pfeffer	Elected, 2 years	November 2015
Councilor	Brett Feldman	Elected, 2 years	November 2015
Councilor	Matthew Kelly	Elected, 2 years	November 2015
Councilor	Thomas Mercer	Elected, 2 years	November 2015
Councilor	Andrew Bissanti	Elected, 2 years	November 2015
Town Administrator	Jeffrey D. Nutting	Appointed, 5 years	2018
Comptroller	Susan L. Gagner	Appointed	Indefinite
Treasurer/Collector	James P. Dacey	Appointed	Indefinite
Town Clerk	Deborah L. Pellegrini	Elected, 4 years	November 2015
Town Counsel	Mark G. Cerel	Appointed	Indefinite

Municipal Services

The Town provides general governmental services for the territory within its boundaries, including parks and recreation, police and fire protection, a public library and, through its housing authority, elderly housing. Public education is provided by the Town for grades K-12, and vocational education is provided by the Tri-County Regional Vocational School District. The Council on Aging provides transportation and other services for the elderly.

Presently, 66 percent of the Town is served by a municipal sewerage system. The Town is a member of the Charles River Pollution Control District, which provides sewerage treatment facilities. Ninety-five percent of the Town is served by a self-supporting municipal water operation.

Solid waste disposal services are provided under a contract with Wheelabrator Corp. that expires on December 30, 2027.

Education

The Town's public school facilities include six elementary schools with a combined capacity of 3,300, 3 middle schools with a capacity of 1,500 and a senior high school with a capacity of 2,000.

The Benjamin Franklin Charter School, which was opened in September of 1995 in Franklin, serves public school students residing in the Town, and then students residing in surrounding towns based on demands on staff and capacity. According to its charter, the school may educate students from kindergarten through the eighth grade.

The following table sets forth annual enrollments in the Town's public schools from 2010 through 2014 and projected enrollments for 2015:

	Actual					Projected
	2010	2011	2012	2013	2014	2015
Elementary	2,965	2,866	2,827	2,705	2,556	2,206
Middle School	1,431	1,476	1,438	1,433	1,385	1,387
Senior High	1,648	1,632	1,632	1,635	1,706	1,761
Total (1)	<u>6,044</u>	<u>5,974</u>	<u>5,897</u>	<u>5,773</u>	<u>5,647</u>	<u>5,354</u>

Source: Superintendent of Schools.

(1) Plus an additional 300 Charter School students.

Industry and Commerce

The Town of Franklin is a growth community with a pro-business environment, a low stable single tax rate, and a modernized infrastructure. The Town is ideally located at the center of the Tri-Center Cohesive Commercial Statistical Area (CCSA), which includes nine communities within commuting distance of Boston, Worcester, and Providence. Predominately a manufacturing town, Franklin is host to such nationally and regionally known firms as EMC and Garelick Farms.

Transportation and Utility Infrastructure. Central to Franklin's continued success in attracting commercial and industrial development has been its transportation and utility infrastructure. Franklin enjoys good transportation networks with Route 140, two exits to Interstate 495, and easy access to major routes such as Interstate 90 (Massachusetts Turnpike), Interstate 95, Route 1 and Route 126. In addition to a well-integrated roadway system, Franklin is host to two MBTA commuter rail stations, and has fixed route bus service through the Greater Attleboro Taunton Regional Transit Authority. Interstate 495 positioned Franklin as a major regional distribution center for goods and as a regional employment center. In the late 1980's, the Town established itself as a regional transportation hub by lobbying successfully for an extension of commuter rail to an Interstate 495 terminus in Franklin and for major improvements to State Route 140 connecting the Town's extensive commercial areas.

To support better land use, the Town provided regional leadership in building a multi-town modern wastewater treatment facility. The Town also continues to invest in new well development and improvements in its distribution system to enable it to maintain its position as one of the growth municipalities in Massachusetts. The Town continues to program the development of new and rehabilitation of old municipal infrastructure, including major road reconstruction, and rehabilitation of the Town's sanitary sewer system.

Industrial Zoned Properties. One reason for the Town's success in attracting industry and commerce is the strategic rezoning of former agricultural and residentially zoned properties. In the 1980's, the Town rezoned former farmlands lying immediately outside Interstate 495 for industrial uses. Since that time the Town has rezoned additional residential property to industrial several times. Currently there are more than 2,300-acres of industrially zoned land in Franklin, which support \$407,305,100 of assessed valuation and contributes \$5,885,559 in annual property taxes (2014 fiscal year). In addition, the Town contains over 600 acres of commercially zoned land (Commercial 1, Commercial 2, Downtown Commercial, Business, and Office).

Fiscal 2015 Tax Levy

Class	Valuation	Tax Rate	Tax Levy	Levy Percentage
Residential	\$ 3,552,506,315	\$ 14.84	\$ 52,719,194	80.1 %
Commercial	328,874,548	14.84	4,880,498	7.4
Industrial	411,898,150	14.84	6,112,569	9.3
Personal	139,805,150	14.84	2,074,708	3.2
Total	<u>\$ 4,433,084,163</u>		<u>\$ 65,786,969</u>	<u>100.0 %</u>

One very important reason for Franklin's success in attracting and retaining industrial development is its low stable single tax rate. Of the nine communities in the Tri-Center CCSA, Franklin has the lowest commercial and industrial tax rate and by far the most commercial and industrial (C&I) properties. Of particular significance is the amount of industrial properties within Franklin. Of the \$731,879,267 in FY13 assessed value of all industrial property in the nine communities of the Tri-Center CCSA, Franklin had 55.61% (\$407,055,540).

Franklin has had a steady increase in C&I development. Most of Franklin's commercial and industrial stock is post-1980 construction. Approximately three million square feet of C&I space was added between 1982 and 1992. As of 2001 there was approximately 7,200,000 square feet of C&I space in use or available. An additional 440,000 square feet of C&I space was added in 2002, over 210,000 square feet added in 2003, and seven buildings were constructed in Franklin Industrial Park during 2004. The continued annual increase in C&I construction has assured that Franklin's tax rate stays at a reasonable level, and that the Town will continue to be attractive to developers. During the last five years C&I development has slowed, but even with the downturn in the economy and lessening in available industrially zoned property, Franklin's C&I stock increases each year. Currently there is over 10,400,000 square feet of C&I space in use or available and more under construction.

The Town's current manufacturing sector includes food processing, measurement devices, fiber optics, nanotechnology, data storage equipment, electronic equipment, metal fabricators, and specialty materials. In a study conducted for the Town of Franklin by the University of Massachusetts, five industry groups were identified as most likely to locate in Franklin: specialized industrial equipment, electronic components, plastics, measuring devices, and communications equipment. In recent years Franklin has been attracting companies within the medical device and biotechnology industries, including the following: Echo Therapeutics Inc, Hamilton Storage Technologies, Fisher Bio Services, Thermo Fisher Scientific, ZeptoMetrix, Bio Active Peptides, and Tegra Medical Inc.

The Town's industrial parks house a substantial number and variety of businesses, including research and development and manufacturing companies. A brief description of Franklin's three largest industrial areas follows:

- Forge Park is a 360-acre master-planned industrial and office park on Route 140 one mile from Interstate 495's Exit 17. Tenants include General Cable, Pierce Aluminum, Berry Plastics, Covalence Specialty Adhesives, Trugreen, JEM Electronics, Vacumet Corporation, QinetiQ, Eastern Propane Gas, Echo Therapeutics Inc, Tegra Medical, Thermo Fisher Scientific, Kuehnet Nagel, The Taylor Group, Speedline Technology, MPM Corporation, NMT, Inc., Hamilton Storage Technologies, TMC Environmental, Massachusetts Secondary School Administrators Association, and the Massachusetts Interscholastic Athletic Association. In addition to industrial and office uses, Forge Park is the site of Forge Park MBTA Commuter Rail Station, Marriott Residence Inn, BJ's Wholesale, and a YMCA fitness center.
- Franklin Industrial Park is a 300-acre master-planned industrial and office park located approximately 0.2 mile from Interstate 495's Exit 16. Tenants include Eagle Stainless Tube Corporation, Alpha Grainger Manufacturing, Barrett Distributions, Des Lauriers-GeoTMS, Winchester Electronics, SMTC Manufacturing, Schwarzkopf Technologies, FE Knight Inc., W.J. O'Connell Company, Owens Minor, Jaco Inc., Federal Express, Mayflower Donovan Moving, Penske, Lindenmeyer Munroe, Waters Distribution, Mid State Mold and Engineering, William B. Meyer, Inc., Bright Horizons Children's Center, and EMC, Franklin's largest employer.
- Grove Street Business Corridor is over 350 acres zoned for either business or industrial use. The area has undergone significant development in recent years, and includes the Grove Street Business Park, Kenwood Industrial Park, Beaulieu Business Park, and Franklin Oaks Office Park. The corridor contains a large and diverse group of tenants, including Regency Warehouse & Distributing, Kimberly-Clark, Robotic Research and Assembly Group, ZeptoMetrix Corporation, Six One Seven Studios, Key Boston, Inc., Automation Components, Inc.,

FusionStorm, Tealuxe, Inc., Doering Equipment Company, Alpha Sign & Awning, Centurion Medical Products, Eaton Cutler-Hammer, Hoshizaki America, Inc., Delta Distributors, Jaco Environmental, Atlantic Contracting and Specialties, Precision Dermatology Inc., Bio Active Peptides, Integrated Defense Solutions, Champagne Logistics, Tri-County Medical, Hudson Home Health Care, Planet Fitness and Cornerstone Christian Academy.

Business Retention and Attraction Strategies. In the future, the Town expects to continue attracting a wide variety of manufacturing and office uses as employers increasingly look to locate in the Interstate 495 New Technology Corridor. However, the downturn in the economy several years ago resulted in a substantial amount of empty or underutilized warehouse and manufacturing space. In response, the Town's Department of Planning and Community Development (DPCD) worked on a wide range of economic development initiatives aimed at retaining Franklin's existing businesses and attracting new. Below is a brief summary of the Town's recent business retention and attraction initiatives:

Creation of Economic Opportunity Areas. In June 2003, the Town of Franklin was designated as an economic target area by the State's Economic Assistance Coordinating Council. As a member of the I-495/95 South Regional Economic Target Area (ETA), the Town can offer businesses looking to start up or expand in Franklin a Tax Increment Finance (TIF) agreement. The Town of Franklin supports the use of this local tax credit for a wide range of development projects, including projects that create a significant number of livable wage jobs for Franklin residents, support innovative technology, and result in redevelopment of empty or underutilized industrially zoned properties, or development of new facilities. The Town is especially interested in attracting renewable energy, biotechnology, medical instrumentation, and other new innovative technology companies.

In order for a business or property owner to qualify for a TIF, the specific parcels must be within an established Economic Opportunity Area (EOA). In 2008 the Town negotiated a TIF with Tegra Medical and designated 9 Forge Park as an EOA.

During 2009 and 2010 the Town established six large, multi-parcel EOAs:

<u>Economic Opportunity Area</u>	<u>Parcels</u>	<u>Acres</u>	<u>Zoning</u>
Forge Park EOA	33	277.5+/-	Industrial
Franklin Industrial Park EOA	22	261.4+/-	Industrial
Pond Street EOA	2	33.9+/-	Office
Grove Street - North EOA	9	24.1+/-	Business
Grove Street - South EOA	32	221.5+/-	Industrial
Financial Way EOA	2	122.6+/-	Industrial

The Town of Franklin's six large multi-parcel economic opportunity areas consist of over 941 acres on 100 parcels. In 2011, the Town negotiated a TIF with Hamilton Storage Technologies at 3 Forge Parkway, which is part of the Forge Park EOA.

Creation of Priority Development Sites. In November 2008 Franklin Town Council passed resolution 85-73, accepting the provisions of Massachusetts General Law Chapter 43D, which offers communities a tool for targeted economic development - Priority Development Sites (PDS), and a related Expedited Permitting Program. Chapter 43D's Expedited Permitting Program enables a community to provide guaranteed 180-day local permitting decisions on commercial and industrial development projects that are located on parcels that have been designated as a priority development site. During the 2009 calendar year the Town of Franklin designated the following areas as Priority Development Sites:

<u>Priority Development Sites</u>	<u>Parcels</u>	<u>Acres</u>	<u>Zoning</u>
Forge Park PDS	30	259.8+/-	Industrial
Franklin Industrial Park PDS	20	252.3+/-	Industrial
Pond Street PDS	2	33.9+/-	Office

Zoning for Biotechnology. One industry cluster the Town of Franklin is seriously working to attract is biotechnology including pharmaceuticals, as well as related industries (e.g., medical device manufacturing). As mentioned above, the Town has managed to attract several companies within the medical device and biotechnology industries, but has only two actual biotechnology research and manufacturing companies (ZeptoMetrix Corporation, Bio Active Peptides) located within Town. Most Biotechnology related companies with a presence in the community utilize their Franklin facilities for support activities or in development of medical devices.

In 2009 the Town's DPCD spent a substantial amount of effort researching the biotechnology industry and the possible reasons that biotechnology companies choose other communities when looking to site research and manufacturing facilities. Town staff came to the conclusion that the Town of Franklin's zoning bylaw, §185-42. *Biotechnology Uses* and related Board of Health regulations were much too restrictive if the Town wishes to attract biotechnology research companies. The bylaw required biotechnology companies to obtain a Town Council special permit, which was an additional permitting requirement that other Massachusetts communities desiring biotechnology do not require. DPCD prepared a total rewrite of §185-42. *Biotechnology Uses* that created a more streamlined permitting process for biotechnology companies, while continuing to provide adequate protection to the community. The zoning bylaw amendment was passed by Town Council during March 2010, and a rewrite of related Board of Health regulations (Chapter 198 of the Town Code) was approved in May 2010. These changes allow biotechnology uses by right within the Town's Biotechnology Use Zoning Overlay District, and streamline the permitting of biotechnology facilities.

Also passed by Town Council during March 2010 was a related zoning bylaw amendment that increased the size of the Biotechnology Use Zoning Overlay District in the Forge Park area. In 2011 Town Council adopted Resolution 11-666 to further amend the Biotechnology Use Zoning Overlay District to include all parcels within the Grove Street South, Pond Street, and Financial Way EOAs. Increasing the size of the Town's Biotechnology Use Zoning Overlay District in 2011 increases the marketability of roughly three dozen industrially zoned parcels, and is expected to result in increases in the Town's C&I tax base.

In 2009 Franklin received a Bronze BioReady Community rating from the Massachusetts Biotechnology Council (MBC) and Massachusetts Alliance for Economic Development (MassEcon). The BioReady Community rating was developed as a way to identify Massachusetts communities that are "Ready" for biotechnology research and manufacturing. Franklin only received a Bronze rating because our zoning bylaw at the time required biotechnology companies to obtain a Town Council Special permit to site certain biotech facilities. With Franklin's zoning bylaw amendments and other regulatory changes mentioned above, in October 2010 the Town of Franklin was awarded a Gold BioReady Community rating. According to Robert Coughlin, President and CEO of the Massachusetts Biotechnology Council, "In a very brief span, Franklin has shown their willingness to work with the biotechnology industry to add jobs and attract investment ... we know that Franklin is well-positioned for additional growth in this sector".

MassDevelopment-MOBD-Town of Franklin Business Visitation Program. In 2008 Franklin's DPCD launched a Business Visitation Program in partnership with MassDevelopment and Massachusetts Office of Business Development (MOBD) to make small and medium sized businesses in Franklin aware of MassDevelopment and State programs and to raise awareness of the DPCD as a resource for Franklin-based businesses. The program's target audience is mid-size manufactures and other mid-size expanding or struggling companies. In general the program involves identifying companies within Franklin that MassDevelopment and MOBD may be able to assist, arrange meetings with the companies' management, and discuss technical and financial resources that can be made available to further their development. Ongoing outreach meetings occur approximately one day each month.

Economic Development Marketing. DPCD regularly works to market the Town of Franklin's pro-business environment, our available industrially zoned properties, our priority development sites and economic opportunity areas, and other relevant economic development issues. During 2009 and 2010 DPCD developed a series of marketing brochures that can be accessed by the Town's web site. Several times each year the Town places ads in commercial real estate periodicals to draw attention to the community's pro-business environment and related resources. In order to assist property owners fill the Town's currently empty or underutilized industrially zoned manufacturing, warehouse and office space, the Town communicates regularly with property owners, commercial realtors, and various organizations including MOBD and MassEcon.

Economic Development Summits.

2010 Economic Development Summit: In its continued efforts to attract and retain businesses, on October 27, 2010, the Town of Franklin held its 2010 Economic Development Summit. The main topic of discussion was "Business Expansion and Retention within Franklin's Economic Opportunity Areas". The primary purpose of the event was to inform property owners and commercial real estate companies with available property within the Town's EOAs that there are resources available to assist them. The secondary purpose was to assist with marketing of these properties and our business friendly community in general. The Town of Franklin wants the commercial/industrial site selection world to look to us first when looking to site a facility. The event was attended by over 80 individuals, including property owners, business owners and managers, State and local

officials, developers, commercial property realtors and others in the site selection field. The Town's Director of Planning and Community Development made a presentation describing Franklin's six multi-parcel EOAs and summarized related issues. Individuals from the following organizations each spoke briefly regarding their organizations: MOBD, Massachusetts Life Sciences Center, MassDevelopment, MBE, MassEcon, 495/MetroWest Partnership, and United Regional Chamber of Commerce. Their discussions focused on ways available incentives can be used to stimulate economic activity within the six EOAs and Franklin's other industrial and commercial areas. In addition, Robert Roche, President and CEO of Tegra Medical spoke of his positive experiences dealing with the Town of Franklin while relocating the company to Franklin and negotiating a TIF. The event was a major success.

2012 Economic Development Summit: In support of Franklin's ongoing efforts to create livable wage jobs and maintain the local business community the Town of Franklin held its 2012 Economic Development Summit. The 2012 Economic Development Summit entitled "*Business Expansion and Retention through Workforce Development*" focused on informing Franklin's business owners and managers of the various workforce development resources available to assist them. The summit was held at Tegra Medical at 9 Forge Park in partnership with the Massachusetts Office of Business Development, MassDevelopment, United Regional Chamber of Commerce, 495/MetroWest Partnership, and the Town of Franklin's Economic Development Committee. Representatives from several State agencies and other workforce development related organizations discussed resources that were available to assist local businesses; these organizations included: MOBD, Massachusetts Department of Career Services, Workforce Training Fund; Massachusetts Department of Labor Standards, Division of Apprentice Training; Employment and Training Resources; Tri-County Regional Vocational Technical High School; Mass Bay Community College; Dean College; Massachusetts Life Sciences Center; Commonwealth Corporation; Massachusetts Manufacturing Extension; and Associated Industries of Massachusetts. The 2012 event was attended by nearly 100 people and much like the 2010 event included property owners, business owners and managers, and State and local officials; however at 2012 event, those in the educational and workforce training industries were also in attendance.

The Town of Franklin works continuously to catch the eye of the business community, create conditions favorable for business expansion, and assist property owners fill the Town's currently empty or underutilized industrially zoned manufacturing, warehouse and office space. Franklin's DPCD believes the above described economic development initiatives will be beneficial to those in Franklin wishing to sell, lease, develop, or redevelop their properties, and position the Town for potentially significant C&I growth over the next several years. DPCD's overall strategy for developing economic development initiatives can be summarized in two fairly simple but extremely important economic development principles: 1.) Economic viability and community livability are equally important parallel goals; and 2.) Strive to create a community where entrepreneurs will want to settle and raise their families. Franklin is already that community, and the Town's ongoing efforts are expected to make it better.

Business Friendly Community. Franklin's form of government makes for a streamlined permitting process that many other communities are not able to offer, allowing for quick project review and relatively easy permitting for C&I development. The Town's Technical Review Committee meets weekly to review proposed projects, resulting in fewer problems during the permitting processes. Franklin Town Council's Economic Development Committee (EDC) makes recommendations regarding development projects and other economic development issues including TIFs. Companies wishing to come to Franklin have direct access to the Town Administrator, the EDC, and Director of Planning and Community Development. Obtaining a TIF from Franklin with its Town Council form of government is relatively quick in comparison to most other Massachusetts communities.

Even though there are many companies within and adjacent to Franklin's industrial parks and along a couple of the Town's primary roadways, Franklin is still able to maintain the quintessential New England small-town feel with its old fashioned downtown of locally owned small businesses.

In 2008, CNNMoney.com released their list of the "100 Best Places to live and launch" your own company. CNN chose areas with the best mix of business advantages and lifestyle appeal, of which Franklin ranked #10. Credited for its charming, historic atmosphere with diverse enterprises, Franklin is a growth town with a pro-business attitude. Franklin has a lot to offer. In 2007 Family Circle named Franklin as one of their "Ten Best Towns for Families" in the United States. This honor was bestowed on Franklin and nine other towns and small cities "that offer what parents and children want most - affordable homes, good jobs, top-rated schools, open spaces and a lot less stress".

Downtown Revitalization. As with many semi-urban downtowns throughout the State, by the 1980s Downtown Franklin was no longer the focus of the community's economic activity and had become run down and undesirable to the business community. Approximately twelve years ago the Town of Franklin made revitalization of Downtown a major priority. The *Franklin Center Plan* was developed in 2002 and 2003 to provide Town officials with a vision and basic strategy for revitalization of Downtown Franklin. The plan included the following major conceptual improvement project components:

Mixed Use; Circulation Strategies and Traffic Calming; Public Places; Cultural Uses; Better Parking and Pedestrian Connections; Streetscape Improvements; Image and Identity; Architecture, Facades and Historic Preservation; and Promoting Franklin Center.

The Town has made steady progress implementing a wide range of economic development strategies and revitalization projects, resulting in consistent incremental positive changes in the Downtown area. The Town has carefully planned and managed projects that reflect the overall vision for Downtown, spur on private investment and promote the Downtown as a commercial district, as well as create a neighborhood identity that promotes pedestrian activity, human interactions, safety and livability.

Mixed-use Transit Orientated Development. The Town's Franklin Center Plan and related efforts are consistent with the State's SMART Growth objectives and encourages transit-oriented development. Downtown is home to one of Franklin's two commuter rail stations, and is the ideal location for mixed-use transit oriented development. Downtown Franklin's existing mixed-use developments are a very short walk from the MBTA Station, in the heart of Downtown adjacent to a wide variety of businesses (retail, banks, restaurants) and a very short walk from Dean College, post office, Franklin's public library, historical museum, and public parks.

The Town is working with property and business owners and the Franklin Downtown Partnership to spur on private investment. Redevelopment of several Downtown parcels recently took place representing \$25+ million in private investment. Maximizing development/redevelopment of properties in Downtown Franklin that are adjacent to or a short walk from the Dean/Downtown Franklin MBTA commuter rail station will continue to be a key component of the Town's Downtown economic development strategy.

It is hoped that public improvements and the private investments mentioned above will provide economic stimulus to current Downtown business owners to invest in their properties as well as attract additional businesses to the Downtown area. To ensure that the appropriate development continues in Downtown Franklin, DPCD developed zoning bylaw amendments needed to create a new Downtown Commercial Zoning District in the "core" Downtown area, which allows by-right mixed-use development (1st floor commercial; 2nd and 3rd floor office or residential) in the new zoning district. Town Council approved the zoning amendments during 2011.

Municipal Capital Improvements. In recent years the Town spent millions of dollars on capital facilities improvements, including significant investment in the Downtown area. The Town constructed a new Fire Station and Fire Department Headquarters on West Central Street in the heart of Downtown Franklin. The Town developed a public parking lot on West Central Street adjacent to the MBTA bridge, replaced water lines and reconstructed roadways in and around the downtown area, and made a variety of other small improvements. The Town's new Senior Center off of Oak Street just north of Downtown Franklin opened in November 2007. The Town is utilizing the former Senior Center on West Central Street in Downtown Franklin as the new Franklin Historical Museum, which opened in 2010; this is one project related to the Town's cultural economic development initiatives for the downtown area. While the Town has made much progress towards the incremental revitalization of Downtown Franklin, implementation of the Downtown Roadway and Streetscape Improvement Project over the next few years will see major changes in the Downtown area.

Downtown Roadway and Streetscape Improvements. The Town's Downtown Roadway and Streetscape Improvement Project is an integral part of the Town's strategy for Downtown revitalization. The \$7.25+ million project is expected to spur on private investment, which will hopefully lead to the remaining desired improvements envisioned for the area. The improvement project includes elimination of the one way traffic pattern of Route 140 in the Downtown area, installation of interconnected traffic signals with emergency preemption system, period lighting, traffic calming devices, resetting curbs as needed, ADA compliant sidewalks, resurfacing of streets, and streetscape/landscape improvements and furniture. The project represents a substantial public investment in the Downtown's future and economic viability. The project is funded by a \$1 million Public Works Economic Development (PWED) grant (State funding), a \$5 million High Priority Project (HPP) grant (Federal funding), and roughly \$1.25 million in State and local funding required to match the HPP grant. The Downtown Roadway and Streetscape Improvement Project is being managed as two adjacent projects (PWED Project; HPP Project). The \$1 million PWED project, which included reconstruction of the Town's Depot Street public parking lot and four Downtown roadways, was completed in 2011. The construction phase of the \$6.25 million HPP project will begin in 2014.

Dean College Expansion. Dean College continues to expand their presence in the Downtown area. A few years ago Dean College conducted a campus master plan process. The College is leasing residential units in the upper floors of a new mixed-use development on East Central Street. The College constructed a new cafeteria and

performing arts center on Emmons Street, which opened in 2010. The College is currently implementing improvements to other facilities, and opened a new dormitory at the corner of West Street and West Central Street in February 2013, further expanding student housing in the Downtown area.

Town-owned Property Redevelopment. In 2008 the Town developed and distributed a request for proposals for the purchase and redevelopment of the Town's "Four Corners" property. The property consisted of three parcels totaling approximately 1.29 acres and contained two buildings, a two-family house and a former school, both of which were in poor condition. The request for proposal resulted in a \$2.3 million offer and the property was redeveloped as a Walgreens Pharmacy, which opened in March 2010.

The Town continues to work towards redevelopment of two other Town-owned properties:

- Pond Street Site. The 33.86-acre parcel is a former wastewater treatment facility (1902 through 1980) and more recently was used to dispose of street sweepings, storm debris, and construction debris/rubble. Within the only Office (O) zoning district in Franklin, and bordered by Interstate 495 to the west and Pond Street to the east, the parcel is considered highly desirable. Previous attempts to obtain a purchaser and developer for the site were unsuccessful. During 2009 the Town contracted with a consultant company to update environmental assessment documentation, perform a detailed property assessment, preliminary traffic assessment, and development of a conceptual commercial subdivision; this work was completed in September 2010. Town officials believe the Pond Street property will be eventually redeveloped for a hotel, two or three office buildings, and accessory uses (restaurant, retail). The Town will likely distribute a request for proposals for sale and redevelopment of the property once the real estate market improves. During 2009 the Town designated the Pond Street site as the Pond Street EOA, and Pond Street PDS, as well as added the property to the Biotechnology Uses Overlay Zoning District; these designations should be helpful during marketing efforts. Currently the Town is working with MassDevelopment to produce a market analysis for the property.
- Former Nu-Style Site, 87 Grove Street. The 1.2 acre former manufacturing property is a brownfields within the Business zoning district along Grove Street, roughly a quarter mile from Route 140 and Interstate 495's Exit 17. The property is contaminated with several hazardous materials. Phase II Environmental Site Assessment work was performed during 2007 and 2008. Additional assessment work including ground water sampling directly under the larger of two former manufacturing buildings was performed in 2009. In 2010 the Town applied for and received a \$200,000 EPA Brownfields Cleanup Grant, and the Town appropriated \$205,000 as a local match. The funds were used to demolish the larger of the two buildings and partially remediate hazardous materials within the property's soil. During 2013 the EPA provided the Town with a Targeted Assessment Technical Assistance Grant, which was used to further define the level and extent of the site's contamination. The Town will perform addition assessment work in 2014 and likely develop and publish a request for proposals for the properties redevelopment. The property is within the Grove Street North EOA.

Labor Force, Payroll, and Buying Power. According to the MetroWest Economic Research Center at Framingham State College, between 1983 and 2002 the labor force in the Tri-Center CCSA increased from 46,020 to 68,756 (49.4%). Of the 68,756 individuals, 16,388 were Franklin residents, which was 23.8% of the Tri-Center CCSA total. During the last twelve years the increase in Franklin's labor force has slowed; Franklin's current labor force is 16,996 (December 2012). The demographic make-up and lifestyle characteristics of Franklin residents are attractive to national retail chains, and the buying power of Franklin's residents is significant. Between 1990 and 2000, household income increased by 40% to \$71,174, and is currently at \$93,022 (2010 U.S. Census), compared to a Massachusetts average of \$64,504.

The unemployment rate for Franklin's workers is normally lower than the regional and State unemployment rates, and much lower than the national rate. The December 2007 unemployment rate for Franklin workers was 3.2 percent, compared to 3.6 percent for the Greater Franklin Region, and 4.1 percent for Massachusetts. With the weaker economy there were major increases in the unemployment rates, but the Town of Franklin's unemployment rate remained lower than State and national rates. By December 2009 the Town's unemployment rate had increased to 8.2 percent, while the State and national rates were at 9.1 and 10 percent respectively. Franklin's unemployment rate had dropped to 6.8 percent by December 2010, and 5.8 percent by December 2012. The Town's unemployment rate has stayed stable for the last year, with 5.8% in December 2013, compared to a State rate of 6.7%.

Business activity is continually growing in Franklin, and the diversity of the Town's job base is apparent. In 2001 Franklin had 780 business establishments, 23.3 percent of the Tri-Center CCSA 3,350 total. During the 2012 calendar year there was an average of 881 business establishments in Franklin. As more industry leaves Massachusetts in search of cheaper labor and manufacturing productivity increases, the number of manufacturing positions in the Town of Franklin has

decreased. In 2002 there were approximately 5,500 manufacturing positions; currently the number of manufacturing positions in Franklin are 3,997 (2012 monthly average).

Of Franklin's 881 wage paying establishments, 55 are manufacturing facilities. These 55 facilities provided 29.7+/- percent of the Town's jobs, and by far the highest average weekly wage. The manufacturing positions have an average weekly wage of \$1,705 (2012 monthly average), which is over \$88,600 annually. Franklin continues to seek out new employers that generate a high number of manufacturing, research and development, and office jobs to ensure a continuing increase in household income.

According to the Executive Office of Labor and Workforce Development's web site there are at least 25 companies in Franklin with 100 or more employees. A list of the Town's ten largest employers is below.

Largest Employers (1)

Employer	Nature of Business	Number of Employees
EMC Corporation	Computer Storage/Manufacturing	1,800
Garelick Farms	Dairy	600
Thermo Fisher Scientific	Scientific Instruments and Equipments	350
Dean College	College	300
Tegra Medical	Precision Grinding Medical	280
Owens & Minor, Inc.	Scientific Instruments and Equipments	237
Stop & Shop Supermarket	Supermarket	160 (2)
Shaw's Supermarket	Supermarket	160 (2)
Big Y Supermarket	Supermarket	156 (2)
Bj's Wholesale Club	Wholesales Foods, etc.	139 (2)
Total		<u>4,182</u>

Source: Town Treasurer.

(1) Excludes the Town of Franklin employees.

(2) Includes Full-time and Part-time employees.

Employment by Industry

Due to the reclassification the U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

Industry	Calendar Year Average				
	2013	2012	2011	2010	2009
Construction	595	585	566	548	499
Manufacturing	5,617	3,987	3,864	3,794	3,834
Trade, Transportation and Utilities	3,430	3,589	3,587	3,664	3,741
Information	111	105	82	80	90
Financial Activities	386	388	390	408	582
Professional and Business Services	1,356	1,308	1,274	1,177	985
Education and Health Services	2,446	2,484	2,593	2,661	2,619
Leisure and Hospitality	1,702	1,665	1,645	1,556	1,469
Other Services	554	546	559	539	526
Total Employment	<u>16,197</u>	<u>14,657</u>	<u>14,560</u>	<u>14,427</u>	<u>14,345</u>
Number of Establishments	892	897	928	921	873
Average Weekly Wages	\$ 1,035	\$ 1,074	\$ 1,056	\$ 1,040	\$ 1,043
Total Wages	<u>\$ 883,922,362</u>	<u>\$ 831,670,762</u>	<u>\$ 811,361,137</u>	<u>\$ 792,212,369</u>	<u>\$ 789,292,355</u>

Source: Massachusetts Department of Employment & Training.

Labor Force, Employment and Unemployment Rate

According to Massachusetts Department of Employment and Training, in November 2014, the Town had a total labor force of 17,606 of whom 16,844 were employed and 762 or 4.3% were unemployed as compared with 5.2% for the Commonwealth.

The following table sets forth the Town's average labor force and unemployment rates for calendar years 2009 through 2013 and the unemployment rates for the State and for the U.S. as a whole for the same period:

Year	Town of Franklin		Massachusetts	United States
	Labor Force	Unemployment Rate	Unemployment Rate	Unemployment Rate
2013	17,049	6.0 %	7.1 %	7.4 %
2012	16,929	5.6	6.7	7.8
2011	16,764	6.3	6.8	8.9
2010	16,957	7.5	8.3	9.4
2009	17,199	7.5	8.1	9.3

Income Levels and Population

The following table compares federal census figures for the Town, the Commonwealth and the United States.

	Franklin	Massachusetts	United States
Median Age:			
2010	38.7	39.1	37.2
2000	34.8	36.5	35.3
1990	31.2	33.6	32.9
Median Family Income:			
2010	\$ 105,116	\$ 81,165	\$ 51,144
2000	81,826	61,664	50,046
1990	54,628	44,367	35,225
Per Capita Income:			
2010	\$ 37,559	\$ 33,966	\$ 27,334
2000	27,849	25,952	21,587
1990	18,228	17,224	14,420

Source: U.S. Department of Commerce, Bureau of the Census.

Building Permits

Calendar Year	Single Family Residential		All Other		Total	
	No.	Value	No.	Value	No.	Value
2014	21	\$ 6,344,728	1,285	\$ 48,572,806	1,306	\$ 54,917,534
2013	18	4,944,055	1,188	37,578,613	1,206	42,522,668
2012	21	6,091,480	1,163	38,544,571	1,184	44,636,051
2011	14	4,100,535	1,062	33,904,665	1,076	38,005,200
2010	28	6,815,186	897	23,826,804	925	30,641,990

Source: Building Inspector.

PROPERTY TAXATION

The principal revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Tax Limitations" below.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay" below), no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "Taxation to Meet Deficits" below).

Tax Levy Computation

The following table illustrates the manner in which the tax levy was determined for fiscal years 2011 through 2015.

	Fiscal 2015	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011
Total Appropriations	\$ 116,612,217	\$ 115,952,258	\$ 109,651,890	\$ 102,071,458	\$ 104,469,550
Additions:					
Other Local Expenditures	130,382	158,466	178,807	211,562	231,654
State and County Assessments	4,999,151	4,889,668	4,837,457	4,705,622	4,450,304
Overlay Reserve (1)	687,667	748,082	696,317	679,478	513,449
Total Additions	5,817,200	5,796,216	5,712,581	5,596,662	5,195,407
Gross Amount to be Raised	122,429,417	121,748,474	115,364,471	107,668,119	109,664,957
Deductions:					
Local Estimated Receipts	20,577,384	22,838,841	20,470,403	18,779,329	20,416,813
Estimated Receipts from State (2)	31,425,648	31,249,901	31,134,204	30,857,483	30,961,456
Available Funds:					
Free Cash	1,979,089	3,577,400	2,807,774	1,417,795	2,941,252
Revenue Sharing	2,660,328	2,574,534	-	200,308	-
Other	-	-	2,462,157	-	1,055,200
Free Cash & Other Revenue Used to Reduce the Tax Rate	-	-	-	-	-
Total Deductions	56,642,448	60,240,676	56,874,538	51,254,915	55,374,721
Net Amount to be Raised (Tax Levy)	\$ 65,786,969	\$ 61,507,798	\$ 58,489,933	\$ 56,413,205	\$ 54,290,236
Property Valuation (000)	\$ 4,293,279	\$ 4,104,565	\$ 4,078,796	\$ 4,108,755	\$ 4,192,296
Tax Rate per \$1,000	\$ 14.84	\$ 14.45	\$ 14.34	\$ 13.73	\$ 12.95

(1) Allowance for abatements.

(2) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold payments pending receipt of State and County assessments.

NOTE: Property tax rates may not be set by the local assessors until they have been approved by the Commissioner of Revenue.

Assessed Valuations and Tax Levies

The Town of Franklin classifies property for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other property (commercial, industrial and personal). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 percent of its share of the total taxable valuation; the effective rate for open space must be at least 75 percent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

Valuation of real and personal property in the Town of Franklin is established by the Board of Assessors. Based on the total assessed valuation for fiscal 2015, the Town is at approximately 97.9% percent of equalized valuation as shown below. The following table sets forth the trend in the Town's assessed and equalized valuations:

Fiscal Year	Assessed Valuations			Equalized Valuation	Total Assessed Valuation as a Percent of Equalized Valuation
	Real Property	Personal Property	Total		
2015	\$4,293,279,013	\$139,805,150	\$4,433,084,163	\$4,528,882,700	97.9%
2014	4,104,565,197	152,029,810	4,256,595,007	4,560,253,400	93.3
2013	3,934,160,195	144,635,680	4,078,795,875	4,560,253,400	89.4
2012	3,974,293,043	134,461,850	4,108,754,893	4,889,142,800	84.0
2011	4,076,950,964	115,345,280	4,192,296,244	4,889,142,800	85.7

Source: Massachusetts Department of Revenue.

Classification of Property

The following is a breakdown of the Town's assessed valuations for the following fiscal years:

Class	Fiscal 2015		Fiscal 2014		Fiscal 2013	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$3,552,506,315	80.1%	\$3,371,434,850	79.2%	\$3,217,480,235	78.9%
Commercial	328,874,548	7.4	325,825,247	7.7	309,624,420	7.6
Industrial	411,898,150	9.3	407,305,100	9.6	407,055,540	10.0
Personal	139,805,150	2.2	152,029,810	3.6	144,635,680	3.5
Total	<u>\$4,433,084,163</u>	<u>100.0%</u>	<u>\$4,256,595,007</u>	<u>100.0%</u>	<u>\$4,078,795,875</u>	<u>100.0%</u>

Source: Massachusetts Department of Revenue.

State Equalized Valuation

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of fair cash value of the taxable property in each municipality. This is known as the "equalized value." The following table sets forth the trend in equalized valuations of the Town of Franklin:

As of <u>January 1</u>	State <u>Equalized Valuations</u>
2014	\$4,528,882,700
2012	4,560,253,400
2010	4,899,142,800
2008	5,208,569,900
2006	4,926,241,100
2004	3,986,325,800
2002	3,167,005,800

Largest Taxpayers

Following are the top ten taxpayers in the Town based on assessed valuations for fiscal 2015:

<u>Name</u>	<u>Nature of Business</u>	<u>FY 2015 Valuation</u>	<u>FY 2015 Tax Levy</u>	<u>% of Net Levy</u>
Cedar-Franklin Village LLC	Mall (Franklin Village)	\$ 51,851,600	\$ 769,478	1.3 %
EMC Corporation	Computer Storage/Manufacturing	51,613,800	765,949	1.2
Exeter Forge Park LLC	Industrial Park	35,270,200	523,410	0.9
New England Power/Mass Electric	Electric Company	33,866,830	502,584	0.8
BVF-II Union Place LLC	Apartment Building	25,009,400	371,140	0.6
GPT Glen Meadow LLC	Apartment Building	21,016,800	311,889	0.5
Bernon Land Trust	Dairy (Garelick Farms)	20,168,700	299,304	0.5
Marsh & McLennon	Computer Processing	20,107,670	298,398	0.5
Verizon New England	Telecommunications	18,646,890	276,720	0.4
Franklin Shoppers FARR	Mall (Horace Mann Plaza)	16,382,500	243,116	0.4
Total		<u>\$ 293,934,390</u>	<u>\$ 4,361,986</u>	<u>7.1 %</u>

Source: Board of Assessors.

Abatements and Overlay

The Town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

The following table sets forth the amount of overlay reserve for the last five fiscal years and abatements or exemptions granted during the fiscal year:

Fiscal Year	Total Tax Levy	Overlay Allowance		Exemptions/Abatements Granted thru Fiscal Year	Overlay Excess (Deficit)
		Dollar Amount	Percent of Net Levy		
2014(1)	\$61,507,799	\$748,082	1.2%	\$278,125	\$469,957
2013	58,489,933	696,317	1.2	269,170	427,147
2012	55,733,727	679,478	1.3	289,457	390,021
2011(1)	53,776,787	513,449	1.0	376,978	136,471
2010	51,828,292	562,568	1.1	506,739	55,829

Source: Town Comptroller.
(1) Revaluation years.

Tax Collections

The Town has accepted a statute providing for quarterly tax payments under which preliminary tax payments are due on August 1 and November 1, with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 percent per annum. The following table sets forth the trend in the Town's tax collections:

Fiscal Year	Total Tax Levy	Overlay Reserve for Abatements	Net Tax Levy (1)	% of Net Collected at Fiscal Year End (2)	Collected Amount as of June 30, 2014	% of Net Collected at June 30, 2014 (3)
2014	\$ 61,507,799	\$ 748,082	\$ 60,759,717	99.9 %	\$ 60,759,717	99.9 %
2013	58,489,933	696,317	57,793,616	99.7	58,035,413	100.4
2012	56,413,205	679,478	55,733,727	100.4	55,997,718	100.5
2011	54,290,236	513,449	53,776,787	98.8	53,763,101	100.0
2010	52,388,860	560,568	51,828,292	98.6	51,617,355	99.6

Source: Town Treasurer.

- (1) Net after deduction of overlay for abatements.
(2) i.e., at the end of the fiscal year for which levied.
(3) Collections for the current fiscal year are comparable to previous fiscal years.

Tax Titles and Possessions

Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment.

The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property.

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the Land Court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes.

Taxes Outstanding

The following table presents aggregate taxes outstanding for the last five fiscal years:

<u>As of 6/30</u>	<u>Aggregate (1)</u>
2014	\$1,071,699
2013	973,118
2012	860,918
2011	1,028,310
2010	1,231,194

Source: Town Comptroller.

(1) Excludes abated taxes. Includes taxes in litigation, if any.

Sale of Tax Receivables

Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk. The town does not expect to utilize this option at the present time.

Taxation to Meet Deficits

Overlay deficits, i.e., tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e., those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates, and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

Cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

Tax Limitations

Chapter 59 Section 21 of the General Laws, also known as "Proposition 2½", imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit “to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year”.

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town's apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year's assessments and (b) “any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option”. Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

Unused Levy Capacity (1)

	Fiscal Year				
	2015	2014	2013	2012	2011
Primary Levy Limit (2)	\$ 110,827,104	\$ 106,414,875	\$ 101,969,897	\$ 102,718,872	\$ 104,807,406
Prior Fiscal Year Levy Limit	59,648,322	57,171,540	54,953,598	52,779,599	50,991,490
2.5% Levy Growth	1,491,208	1,429,289	1,373,840	1,319,490	1,274,787
New Growth (3)	716,096	1,047,483	844,102	854,509	513,322
Operating Overrides	-	-	-	-	-
Growth Levy Limit	61,855,626	59,648,312	57,171,540	54,953,598	52,779,599
Debt Exclusions	3,964,419	1,860,164	1,353,390	1,468,948	1,546,134
Tax Levy Limit	65,820,045	61,508,476	58,524,930	56,422,546	54,325,733
Tax Levy	65,786,969	61,507,798	58,489,933	56,413,205	54,290,236
Unused Levy Capacity (4)	33,076	678	34,997	9,341	35,497
Unused Primary Levy Capacity (5)	\$ 45,007,059	\$ 44,906,399	\$ 43,444,967	\$ 46,296,326	\$ 50,481,673

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

(3) Allowed increase for new valuations – certified by the Department of Revenue.

(4) Tax Levy Limit Less Tax Levy.

(5) Primary Levy Limit Less Growth Levy Limit.

Pledged Taxes

Taxes on the increased value of certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. (See "Tax Increment Financing for Development District" below.)

Impact of Proposition 2 ½

Since its inception, the Town has voted to exempt \$71,635,000 of general obligation debt from the limits imposed by Proposition 2 ½, in addition to that portion of the debt service attributable to the Town on \$2,360,000 Tri-County Regional School District Bonds issued on June 15, 1995.

On May 2, 1998, the Town voted to exempt from the provisions of Proposition 2 ½ the debt service on bonds and notes in connection with a \$25,500,000 new elementary school construction project. In addition, on October 10, 2000, the Town voted to exempt from the provisions of Proposition 2 ½ the debt service on \$29,900,000 principal amounts of bonds and notes in connection with a \$32,900,000 middle school remodeling and expansion project. The Town has received approval for school construction grants equal to 69 percent of eligible costs and associated interest expense on school notes for these projects. On March 30, 2005, the Massachusetts School Building Authority (the "MSBA") paid \$13,642,047 to the Town in connection with the elementary school project. On March 28, 2006, the Town received \$5,243,859 as a final grant payment for the elementary school project and used a portion of the grant to retire \$4,560,000 bond anticipation notes which matured March 28, 2006. The Town sold bonds in the amount of \$7,300,000 dated March 15, 2005 for the balance of the authorization. Also, on March 28, 2006, the Town received \$17,585,845 for the middle school project and used the grant, the proceeds of a \$6,000,000 portion of the Bonds, \$149,155 unexpended note proceeds and \$7,165,000 bond anticipation note proceeds to retire \$30,900,000 bond anticipation notes maturing March 28, 2006. This initial grant payment represented approximately 75% of the total grant receivable for this project. On June 26, 2006, the Town received a grant in the amount of \$6,524,247 for the middle school project. The balance of the grant for the middle school project in the amount of \$65,813 was received on July 12, 2006. On May 22, 2007, the Town voted a \$2,700,000 override of Proposition 2 ½ for operating purposes.

On February 1, 2012, the Town Council voted to authorize \$104,649,876 for the construction and original equipping of a new High School subject to a successful vote of the Town to be held March 27, 2012 to exclude debt service for the project from the limitations of Proposition 2 ½. The Town expects to receive a grant for the project equal to eligible project costs up to \$57,246,682 from the MSBA.

Community Preservation Act

The Massachusetts Community Preservation Act (the “CPA”) permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see “*Tax Limitations*” under “PROPERTY TAXATION” above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town has not adopted the Community Preservation Act.

Initiative Petitions

Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted such amendments must be approved by two successive legislatures and then by the voters at a state election.

TOWN FINANCES

The Budget and Appropriation Process

The annual appropriations of the Town are ordinarily made after the annual budget hearings by the Town Council which usually takes place in June. Additional appropriations may also be voted at other Town Council meetings. The Town has a Finance Committee appointed by the Town Council. The Committee is required by the Town Charter to submit to the Town Council recommendations on all financial appropriations.

The school budget is limited to the total amount appropriated by the Town Council, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. The Town has consistently exceeded the mandatory funding levels and meets increases by dedicating revenue resulting from the “new levy growth” allowance to education purposes. (See “Unused Levy Capacity” above.)

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget, but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See “PROPERTY TAXATION” above.)

Operating Budget Trends

The following table sets forth the trend in the Town’s operating budgets:

	Appropriated Fiscal 2015	Appropriated Fiscal 2014	Appropriated Fiscal 2013	Appropriated Fiscal 2012	Appropriated Fiscal 2011
General Governmental	\$ 9,109,727	\$ 8,915,944	\$ 8,757,469	\$ 8,648,029	\$ 8,799,610
Public Safety	9,781,904	9,389,608	9,155,717	8,817,091	9,042,839
Education (1)	57,818,453	56,456,638	54,481,717	53,140,992	51,563,082
Public Works (2)	14,699,807	14,448,692	14,583,235	14,605,341	14,637,284
Human Services	592,930	544,291	508,126	450,885	448,976
Culture & Recreation (3)	1,214,434	1,117,119	1,066,290	926,327	1,192,887
Debt Service	7,591,160	5,975,603	5,118,917	5,245,467	5,365,497
Benefits	9,285,386	8,312,597	8,331,741	8,184,223	7,808,923
Miscellaneous	460,000	400,000	-	-	-
Total	<u>\$ 110,553,801</u>	<u>\$ 105,560,492</u>	<u>\$ 102,003,212</u>	<u>\$ 100,018,355</u>	<u>\$ 98,859,098</u>

Source: Town Comptroller.

- (1) Starting in fiscal year 2004, Charter School expenditures (\$2,164,500) are not included in the Town’s general fund budget.
- (2) Starting in fiscal year 2007, Charles River pollution assessment became part of the public works – sewer enterprise fund.
- (3) Starting in fiscal year 2004, recreational services are self-supporting and library utilities expense is recognized in the General Government budget line item.

Revenues

Property Taxes: Property taxes are the major source of revenue for the Town. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see “PROPERTY TAXATION – Tax Limitations” above.

State Aid – In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State’s personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality’s state aid entitlement is based on a number of different formulas, of which the “schools” and “lottery” formulas are the most important. Both of the major formulas tend to

provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

The following table sets forth the amount of state aid received by the Town for fiscal years 2010 through 2014 and an estimate for fiscal year 2015:

<u>Fiscal Year</u>	<u>State Distributions</u>
2015 (est.)	\$ 31,295,266
2014	31,017,834
2013	30,711,918
2012	30,638,320
2011	30,602,328
2010	32,257,449

Massachusetts School Building Assistance Program: Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

The maximum of reimbursement rate for new project grant applications submitted to the Authority on or after July 1, 2007 is 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

Federal Aid – In addition to state aid, the Town receives annually certain amounts of federal aid, the trend for which is detailed below.

<u>Fiscal Year</u>	<u>Federal Distributions</u>
2015 (est.)	\$ 2,100,000
2014	1,842,708
2013	1,863,216
2012	2,811,200
2011	2,097,755
2010	2,341,848

The Motor Vehicle Excise Tax: An excise is imposed on the registration of motor vehicles (subject to exemptions) at the rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturers' list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made, after notice to the owner, for non-renewal of the owner's operating license or registration by the registrar of motor vehicles.

The following table represents a five-year history of motor vehicle excise tax collections of the Town:

<u>Fiscal Year</u>	<u>Receipts (1)</u>
2014	\$ 4,544,568
2013	3,985,137
2012	3,887,745
2011	3,742,702
2010	3,582,438

Source: Town Comptroller.

(1) Net after refunds. Includes receipts from prior years' levies.

Water and Sewer Services

Franklin's water system consists of 10 groundwater wells, 6 above ground storage tanks, with 12 million gallons of storage, 157 miles of water main and 8 booster pump stations. Approximately 95% of existing homes are serviced by the Town water system. Fiscal 2014 water rates are as follows:

<u>Usage (in 100 cubic feet)</u>	<u>Charge (per 100 cubic feet of usage)</u>
0-15	\$ 5.25
16-40	5.50
41+	6.45

Franklin's sewer system serves about two-thirds of the built properties in Franklin, and consists of 137 miles of sewer mains and 23 sewer pump stations. Flow is sent to the Charles River Water Pollution Control District facility in Medway. Fiscal 2014 sewer rates are as follows:

<u>Usage (in 100 cubic feet)</u>	<u>Charge (per 100 cubic feet of usage)</u>
0-15	\$ 5.00
16-40	5.30
41+	6.10

Unaudited water and sewer revenues, expenditures and debt service costs for fiscal 2014 were as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Debt Service</u>
Water Division (FY 2014)	\$6,315,538	\$5,194,225	\$1,511,366
Sewer Division (FY 2014)	5,122,703	4,116,201	438,980

Local Options Meals Tax

On July 15, 2009, the Town adopted the local meals excise tax to be effective October 1, 2009. The local meals excise tax is a 0.75% tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The following table sets forth the trend in meals tax collections:

<u>Fiscal Year</u>	<u>Meals Tax Receipts</u>
2015 (est.)	\$ 420,000
2014	468,515
2013	461,822
2012	419,219
2011	379,629
2010	207,233

Room Occupancy Tax

Under this tax, local governments may tax the provision of hotel, motel and lodging house rooms at a rate not to exceed six percent (6%) of the cost of renting such rooms. The tax is paid by the operator of the hotel, motel or lodging house to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. On July 15, 2009, the Town adopted an increase in the room occupancy tax to 6% to be effective October 1, 2009. The following table sets forth the trend in room occupancy tax collections:

<u>Fiscal Year</u>	<u>Room Occupancy Tax Collections</u>
2015 (est.)	\$ 500,000
2014	530,413
2013	503,091
2012	491,138
2011	459,663
2010	341,500

Annual Audits

The accounts of the Town of Franklin are audited for fiscal year ended June 30, 2013 by the firm of Melanson, Heath and Company, PC, Certified Public Accountants, of Andover, Massachusetts. A copy of the audit for fiscal year ending June 30, 2013 is attached hereto as Appendix A.

The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheet for fiscal years 2014 (draft), 2013, 2012 and 2011 and the Comparative Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund for fiscal years 2009 through 2013. Said statements were extracted from audited financial statements, with the exception of fiscal 2014 which are draft and subject to revision and change.

Town of Franklin Massachusetts
Combined Balance Sheet - All Fund Types and Accounts
June 30, 2014 and June 30, 2013

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES			Totals (MEMORANDUM ONLY)	
	GENERAL	SPECIAL REVENUE	ENTERPRISE	CAPITAL PROJECTS	TRUST & AGENCY	GENERAL LONG TERM DEBT	FIXED ASSETS	JUNE 30, 2014	JUNE30, 2103
ASSETS:									
CASH	\$ 12,344,295	\$ 7,715,888	\$ 7,753,888	\$ 14,892,439	\$ 14,450,372	\$ -	\$ -	\$ 57,156,882	\$ 51,771,391
PETTY CASH	400	-	50	-	-	-	-	450	450
RESTRICTED CASH	0	-	-	-	443,709	-	-	443,709	443,709
INVESTMENTS	0	-	-	-	-	-	-	-	-
RECEIVABLES									
Property Taxes	549,990	-	-	-	-	-	-	549,990	623,830
2015 Property Taxes	(3,103)	-	-	-	-	-	-	(3,103)	-
Tax Liens	677,691	-	37,286	-	-	-	-	714,977	655,798
Deferred Real Estate	10,270	-	-	-	-	-	-	10,270	10,270
Conveyance Taxes Receivable	-	-	-	-	-	-	-	-	-
Motor Vehicle Excise	581,044	-	-	-	-	-	-	581,044	697,707
Boat Excise	2,414	-	-	-	-	-	-	2,414	2,414
Sewer Charges and Liens	-	-	377,300	-	-	-	-	377,300	319,343
Water Charges and Liens	-	-	452,995	-	-	-	-	452,995	485,055
Trash Charges and Liens	-	-	220,388	-	-	-	-	220,388	216,696
Penalty Liens	280	-	-	-	-	-	-	280	465
Departmental (Amb & I&E fines)	1,527,087	-	-	-	-	-	-	1,527,087	1,397,328
Unapportioned Betterments	-	-	-	-	-	-	-	-	-
Betterments, current	38	-	3,765	-	-	-	-	3,803	1,334
Betterments, deferred	14,868	-	280,222	-	-	-	-	295,090	325,251
DUE FROM OTHER GOVERNMENTS									
State	-	2,532,205	-	-	-	-	-	2,532,205	3,006,893
OTHER ASSETS									
Prepaid Vacations	-	-	-	-	-	-	-	-	-
Accrued Revenues	-	-	-	-	-	-	-	-	-
Tax Foreclosures	202,149	-	-	-	-	-	-	202,149	202,149
Performance Agreements	-	-	-	-	1,164,104	-	-	1,164,104	1,085,542
Fixed Assets	-	-	-	-	-	-	278,759,765	278,759,765	206,021,842
AMOUNTS TO BE PROVIDED FOR									
Accumulated vacation and sick leave	-	-	-	-	-	1,834,490	-	1,834,490	1,757,162
Loans authorized	-	-	-	-	-	27,788,597	-	27,788,597	114,949,876
Retirement of Debt									
By Town	-	-	-	-	-	91,869,424	-	91,869,424	47,881,448
By State	-	-	-	-	-	-	-	-	-
TOTAL ASSETS:	\$ 15,907,423	\$ 10,248,093	\$ 9,125,894	\$ 14,892,439	\$ 16,058,185	\$121,492,511	\$278,759,765	\$466,484,310	\$431,855,953
Liabilities:									
WARRANTS PAYABLE	\$ 2,054,624	\$ 330,835	\$ 516,864	\$ 3,056,079	\$ 60,523	\$ -	\$ -	\$ 6,018,925	\$ 7,027,556
ACCOUNTS PAYABLE	-	-	-	-	-	-	-	-	-
PAYROLL WITHHOLDINGS	430,755	-	-	-	-	-	-	430,755	373,458
OTHER LIABILITIES									
Accrued Vacation and sick leave	-	-	-	-	-	1,834,490	-	1,834,490	1,757,162
Due to other governments	-	-	-	-	-	-	-	-	-
Real Estate taxes paid in advance	-	-	-	-	-	-	-	-	-
Abandoned prop. and unclaimed items	131,528	-	-	-	-	-	-	131,528	152,571
Performance deposits	-	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-	-
Outside details	-	-	-	-	-	-	-	-	-
RESERVE FOR ABATEMENT AND EXEM	1,017,624	-	-	-	-	-	-	1,017,624	1,134,305
DEFERRED REVENUE	2,537,015	-	1,371,869	-	-	-	-	3,908,884	3,795,327
DEFERRED REVENUE DUE FROM COM	-	2,001,473	-	-	-	-	-	2,001,473	2,365,832
LOANS AUTHORIZED AND UNISSUED	-	-	-	-	-	27,788,597	-	27,788,597	114,949,876
BOND ANTICIPATION NOTES	-	-	-	-	-	-	-	-	27,000,000
GENERAL OBLIGATION BOND PAYABLE	-	-	-	-	-	91,869,424	-	91,869,424	47,881,448
TOTAL LIABILITIES	\$ 6,171,546	\$ 2,332,308	\$ 1,888,733	\$ 3,056,079	\$ 60,523	\$121,492,511	\$ -	\$135,001,700	\$206,437,535
Fund Equity:									
RESERVED									
Encumbrances	\$ 1,751,233	\$ -	\$ 219,168	\$ -	\$ -	\$ -	\$ -	\$ 1,970,401	\$ 1,065,061
Expenditures	-	-	125,000	-	-	-	-	125,000	-
Petty Cash	400	-	50	-	-	-	-	450	450
Endowments	-	-	-	-	508,930	-	-	508,930	-
Reduction of future excluded debt	-	-	-	-	-	-	-	-	222,477
Appropriations	3,610,994	-	2,392,082	-	-	-	-	6,003,076	5,942,451
FUND BALANCE - NET BOOK VALUE FI)	-	-	-	-	-	-	278,759,765	278,759,765	206,021,842
UNRESERVED									
Designated									
Sewer entry fees	-	-	-	-	-	-	-	-	-
Solid waste project	-	-	-	-	-	-	-	-	-
Appropriation deficit	(1,344)	-	-	-	-	-	-	(1,344)	-
Unprovided abatements	-	-	-	-	-	-	-	-	-
Over/under assessments	-	-	-	-	-	-	-	-	-
State and federal grants	-	(136,181.00)	-	-	-	-	-	(136,181)	38,299
Other purposes	-	746,877.00	-	11,836,362	15,488,732	-	-	28,071,971	(2,814,965)
Resolving funds	-	7,227,476.00	-	-	-	-	-	7,227,476	6,311,224
UNDESIGNATED	4,374,594	77,612.00	4,500,860	-	-	-	-	8,953,066	8,631,578
TOTAL FUND EQUITY	\$ 9,735,877	\$ 7,915,784	\$ 7,237,160	\$ 11,836,362	\$ 15,997,662	\$ -	\$278,759,765	\$331,482,610	\$225,418,417
TOTAL LIABILITIES AND FUND EQUITY	\$ 15,907,423	\$ 10,248,092	\$ 9,125,893	\$ 14,892,441	\$ 16,058,185	\$121,492,511	\$278,759,765	\$466,484,310	\$431,855,952

TOWN OF FRANKLIN, MASSACHUSETTS

**GOVERNMENT FUNDS
BALANCE SHEET(1)
JUNE 30, 2013**

	General	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and short-term investments	\$ 12,906,349	\$ 11,229,678	\$ 7,503,978	\$ 31,640,005
Investments	5,409,296	-	4,174,637	9,583,933
Receivables:				
Property taxes	1,258,503	-	-	1,258,503
Excise taxes	700,121	-	-	700,121
User fees	1,395,459	-	-	1,395,459
Intergovernmental	-	2,676,365	1,115,538	3,791,903
TOTAL ASSETS	\$ 21,669,728	\$ 13,906,043	\$ 12,794,153	\$ 48,369,924
LIABILITIES				
Warrants and accounts payable	\$ 811,576	\$ 4,503,953	\$ 519,139	\$ 5,834,668
Accrued liabilities	1,461,162	-	-	1,461,162
Notes payable	-	24,000,000	-	24,000,000
Tax refunds payable	300,600	-	-	300,600
Other liabilities	526,029	-	-	526,029
TOTAL LIABILITIES	3,099,367	28,503,953	519,139	32,122,459
DEFERRED INFLOWS OF RESOURCES	3,189,759	-	-	3,189,759
Fund Balances:				
Nonspendable	-	-	503,930	503,930
Restricted	222,477	-	10,770,351	10,992,828
Committed	5,520,028	-	1,551,498	7,071,526
Assigned	871,116	-	-	871,116
Unassigned	8,766,981	(14,597,910)	(550,765)	(6,381,694)
TOTAL FUND BALANCES	15,380,602	(14,597,910)	12,275,014	13,057,706
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 21,669,728	\$ 13,906,043	\$ 12,794,153	\$ 48,369,924

(1) Extracted from audited financial statements.

TOWN OF FRANKLIN, MASSACHUSETTS

**GOVERNMENT FUNDS
BALANCE SHEET(1)
JUNE 30, 2012**

	General	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and short-term investments	\$ 13,354,610	\$ 45,340	\$ 10,587,590	\$ 23,987,540
Investments	4,210,088	-	4,208,224	8,418,312
Receivables:				
Property taxes	1,199,316	-	-	1,199,316
Excise taxes	529,501	-	-	529,501
Intergovernmental	-	-	91,542	91,542
Due from other funds	137,905	-	-	137,905
Departmental and other	1,310,354	-	-	1,310,354
TOTAL ASSETS	<u>\$ 20,741,774</u>	<u>\$ 45,340</u>	<u>\$ 14,887,356</u>	<u>\$ 35,674,470</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants payable	\$ 949,794	\$ 197,705	\$ 158,660	\$ 1,306,159
Accrued liabilities	1,380,538	-	-	1,380,538
Due to other funds	-	-	137,905	137,905
Other liabilities	296,435	-	-	296,435
Deferred revenues	3,039,170	-	-	3,039,170
Notes payable	-	2,500,000	-	2,500,000
TOTAL LIABILITIES	<u>5,665,937</u>	<u>2,697,705</u>	<u>296,565</u>	<u>8,660,207</u>
Fund Balances:				
Nonspendable	-	-	503,930	503,930
Restricted	7,484	-	14,121,659	14,129,143
Committed	10,192,282	-	142,180	10,334,462
Assigned	587,513	-	-	587,513
Unassigned	4,288,558	(2,652,365)	(176,978)	1,459,215
TOTAL FUND BALANCES	<u>15,075,837</u>	<u>(2,652,365)</u>	<u>14,590,791</u>	<u>27,014,263</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 20,741,774</u>	<u>\$ 45,340</u>	<u>\$ 14,887,356</u>	<u>\$ 35,674,470</u>

(1) Extracted from audited financial statements.

TOWN OF FRANKLIN, MASSACHUSETTS

**GOVERNMENT FUNDS
BALANCE SHEET(1)
JUNE 30, 2011**

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and short-term investments	\$ 7,981,215	\$ 7,956,802	\$ 15,938,017
Investments	5,357,241	3,915,483	9,272,724
Receivables:			
Property taxes	1,535,839	-	1,535,839
Excise taxes	559,547	-	559,547
Intergovernmental	-	716,784	716,784
Departmental and other	1,161,116	-	1,161,116
TOTAL ASSETS	\$ 16,594,958	\$ 12,589,069	\$ 29,184,027
LIABILITIES AND FUND BALANCES			
Liabilities:			
Warrants payable	\$ 475,531	\$ 616,086	\$ 1,091,617
Accrued liabilities	1,267,672	-	1,267,672
Other liabilities	202,756	-	202,756
Deferred revenue	3,256,503	-	3,256,503
Notes payable	-	475,000	475,000
TOTAL LIABILITIES	5,202,462	1,091,086	6,293,548
Fund Balances:			
Nonspendable	-	503,929	503,929
Restricted	683,859	11,921,364	12,605,223
Committed	5,494,270	145,315	5,639,585
Assigned	1,683,792	-	1,683,792
Unassigned	3,530,575	(1,072,625)	2,457,950
TOTAL FUND BALANCES	11,392,496	11,497,983	22,890,479
TOTAL LIABILITIES & FUND BALANCES	\$ 16,594,958	\$ 12,589,069	\$ 29,184,027

(1) Extracted from audited financial statements.

TOWN OF FRANKLIN, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, GENERAL FUND (1)

	<u>Year Ended June 30</u> <u>2013</u>
REVENUES:	
Property Taxes	\$ 57,986,855
Excises	4,955,286
Penalties, interest and other taxes	283,123
Special assessments	5,430
Charges for services	1,831,338
Licenses and permits	924,996
Intergovernmental	39,425,903
Fines and forfeitures	143,458
Contributions	-
Investment income	216,848
Miscellaneous	293,598
TOTAL REVENUES	\$ 106,066,835
EXPENDITURES:	
Current:	
General Government	\$ 9,414,781
Public Safety	9,109,290
Education	62,890,484
Public Works	4,552,105
Health and human services	508,656
Culture & Recreation	1,029,214
Insurance and benefits	7,687,045
Debt service	6,105,227
Intergovernmental	4,589,317
Capital outlay	2,059,936
TOTAL EXPENDITURES	107,946,055
Excess (Deficiency) of Revenues Over Expenditures	(1,879,220)
Other Financing Sources (Uses):	
Operating Transfers In	2,539,376
Operating Transfers Out	(355,391)
TOTAL OTHER FINANCING SOURCES (USES)	2,183,985
Change in fund balance	304,765
FUND BALANCE - Beginning of Year	15,075,837
FUND BALANCE - End of Year	\$ 15,380,602

(1) Extracted from audited financial statements.

TOWN OF FRANKLIN, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, GENERAL FUND (1)

	Year Ended June 30			
	2012	2011	2010	2009
REVENUES:				
Property Taxes	\$ 56,355,137	\$ 53,663,630	\$ 51,703,724	\$ 50,163,207
Intergovernmental - State	38,207,652	37,619,842	38,846,040	36,811,762
Penalties, interest and other taxes	363,706	318,767	264,316	507,246
Motor Vehicle Excise Tax	3,891,220	3,743,664	3,583,747	3,769,599
Investment Income	222,807	157,769	220,242	856,997
Charges for services	1,844,531	1,813,358	1,882,758	1,996,683
Licenses and permits	910,373	691,562	778,076	682,366
Fines and forfeitures	121,636	89,567	103,137	112,003
Miscellaneous	1,158,560	875,393	608,435	2,602,774
Sanitation	-	-	-	-
Departmental	-	-	-	-
TOTAL REVENUES	\$ 103,075,622	\$ 98,973,552	\$ 97,990,475	\$ 97,502,637
EXPENDITURES:				
General Government	\$ 8,615,257	\$ 9,143,542	\$ 8,801,049	\$ 8,723,475
Public Safety	8,857,312	8,988,177	8,734,987	9,327,818
Education	60,311,774	58,096,016	57,672,991	54,474,217
Public Works	3,196,488	3,934,514	3,643,893	4,238,211
Human Services	499,534	472,668	453,582	463,970
Debt and Interest	5,873,526	6,066,469	6,454,517	6,581,765
Culture & Recreation	918,057	1,235,935	1,299,543	1,373,310
Employee Benefits	7,958,815	7,642,562	7,486,526	7,271,469
Capital outlay	985,100	1,797,545	886,637	1,074,271
Fringe Benefits	-	-	-	-
Intergovernmental	4,457,830	4,308,480	4,011,245	3,772,231
State and County Assessments	-	-	-	-
TOTAL EXPENDITURES	101,673,693	101,685,908	99,444,970	97,300,737
Excess (Deficiency) of Revenues Over Expenditures	1,401,929	(2,712,356)	(1,454,495)	201,900
Other Financing Sources (Uses):				
Proceeds of refunding bonds	11,310,000			
Payment to escrow agent	(11,310,000)			
Bond proceeds	-			
Operating Transfers In	2,333,412	221,327	2,089,434	2,366,120
Operating Transfers Out	(52,000)	(2,000)	(251,050)	(2,788,108)
TOTAL OTHER FINANCING SOURCES (USES)	2,281,412	219,327	1,838,384	(421,988)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures & Other Uses	-	-	383,889	(220,088)
Change in fund balance	3,683,341	(501,149)	-	-
FUND BALANCE - Beginning of Year	11,392,496	11,893,645	6,281,128	6,501,218
FUND BALANCE - End of Year	\$ 15,075,837	\$ 11,392,496	\$ 6,665,017	\$ 6,281,130

(1) Extracted from audited financial statements.

(2) Beginning fund balance adjusted to reflect the change of classification of stabilization fund into the general fund.

Undesignated/Unassigned General Fund Balance

Following is a summary of the Town's undesignated general fund balances as of June 30 for the fiscal years listed below:

<u>Year</u>	<u>Undesignated/Unassigned General Fund Balance as of June 30</u>
2014(1)	\$9,566,124 (est.)
2013(1)	8,766,981
2012(1)	4,288,558
2011(1)	3,530,575
2010	2,907,825

(1) Unassigned general fund balance.

Stabilization Funds

The Stabilization Fund plus interest may be appropriated at any Town Council meeting for any municipal purpose. The Town always maintained a "traditional" general fund stabilization account for many years.

In the late 1990's the Town settled a legal case and received over \$6,000,000. The funds were paid to the Town over several years. All funds received from the settlement were voted into the General Stabilization Account that resulted in having a balance of over \$9,000,000 in the account. The Town Council has adopted a policy of maintaining at least 5% of the general fund budget or \$4,500,000 in the General Stabilization account.

In 2005 the Town Council created two new stabilization accounts reserving funds for known future costs. The Town Council voted to appropriate \$1,100,000 from the General Stabilization account into a Public Work Stabilization account to pay for the town's share of stat funded road projects and to replace a culvert. The Town Council also voted to take the "peak" off the debt schedule the town adopted in accordance with its fiscal policy on debt. The Debt Stabilization account served its intended purpose and no funds remain in the account.

The Town Council voted in fiscal 2004, 2007 and 2008 to use general stabilization funds to balance the annual operating budget. In fiscal 2012 the Town Council voted \$350,000 into the General Stabilization Fund which was used to balance the fiscal 2013 budget. Also in fiscal 2012 four new stabilization funds were created to reserve funds for future costs for the following: OPEB, Senior Center Remodeling, Recreation Fields Repairs, and New Fire Truck. Additionally, in fiscal 2013 a Budget Stabilization Fund was created to help offset any future need for an operational override.

The following table shows the recent trend in balances in the Stabilization Funds of the Town:

<u>As of June 30</u>	<u>General Stabilization Fund Balance</u>	<u>Public Works Stabilization Fund Balance</u>	<u>OPEB Stabilization Fund Balance</u>	<u>Senior Center Stabilization Fund Balance</u>	<u>Recreation Stabilization Fund Balance</u>	<u>Fire Truck Stabilization Fund Balance</u>	<u>Budget Stabilization Fund</u>
2014	\$ 4,879,035	\$ 276,728	\$ 823,902	\$ 910,207	\$ 454,038	\$ 277,103	\$ 1,312,496
2013	4,848,986	276,201	321,089	351,301	351,301	175,650	1,003,688
2012	5,129,314	275,408	69,575	150,194	150,194	75,097	-
2011	4,717,554	274,829	-	-	-	-	-
2010	4,647,074	129,560	-	-	-	-	-

Source: Town Treasurer.

Tax Increment Financing for Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½ (see "Property Tax Limitation" under "PROPERTY TAXATION" above).

The Town has not established any Tax Increment Financing Districts.

Investment of Town Funds

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with Section 54 of Chapter 44, which permits a broader range of investments than Section 55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by Sections 54 and 55 do not apply to city and town retirement systems.

INDEBTEDNESS

Authorization of General Obligation Bonds and Notes

Serial bonds and notes, including refunding bonds and notes, are authorized by a two-thirds vote of the Town Council. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Borrowings for some purposes require State administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the treasurer with the approval of the Town Administrator.

Debt Limits

General Debt Limit. The General Debt Limit of the Town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the Municipal Finance Oversight Board consisting of the Attorney General, the State Treasurer, the State Auditor, and the Director of Accounts. Based on the Town's proposed equalized valuation of \$4,528,882,700 effective as of January 1, 2014, the Normal Debt Limit of the Town is \$226,444,135 and the Double Debt Limit is \$452,888,270.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes, emergency loans, loans exempted by special laws, certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and, subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems and telecommunications systems (subject to a separate limit). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Revenue Anticipation Notes. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. (See "Taxation to Meet Deficits" under "PROPERTY TAXATION" above.) In any event, the period from an original borrowing to its final maturity cannot exceed one year.

Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the

maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as “qualified bonds” with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as “tax credit bonds” to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance, but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school bonds) from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. They must generally mature within two years, but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth's Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy.

Trend in Revenue Anticipation Note Borrowing

The Town has not issued notes in anticipation of current revenues since fiscal year 1993.

Direct Debt Summary as of June 30, 2014 (1)

Long-Term Debt Outstanding		
Within the General Debt Limit:		
Sewer	\$	3,237,500
School		13,510,500
Other Building		13,861,500
Other		1,508,000
Total Within the General Debt Limit	\$	32,117,500
Outside the General Debt Limit:		
Schools (2)	\$	45,124,596
Other		10,207
Water		14,617,121
Total Outside the General Debt Limit	\$	59,751,924
Total Long-Term Debt Outstanding		\$ 91,869,424
Total Indebtedness		<u><u>\$ 91,869,424</u></u>

Source: Town Comptroller

- (1) Excludes overlapping debt, lease-purchase agreements, unfunded pension liability and other unfunded post-employment benefits liability and subsequent issues.
- (2) As of June 30, 2014 the unpaid balance of state school construction grants payable over the life of outstanding school bonds for both principal and interest is approximately \$1,651,867.

Key Debt Ratios

The following table sets forth the ratio of debt to equalized valuation and per capita debt ratios at the end of the last five fiscal years. The table considers the principal amount of general obligation bonds of the Town of Franklin only. The table does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole or in part by non-tax revenues:

Fiscal Year End	General Obligation Bonds Outstanding	Population	Equalized Valuation	Per Capita Debt	Ratio Debt To Equalized Valuation
2014	\$ 91,869,424	31,635	\$ 4,560,253,400	\$ 2,904	2.01 %
2013	47,881,448	31,635	4,560,253,400	1,514	1.05
2012	52,878,712	31,635	4,889,142,800	1,672	1.08
2011	55,929,284	31,635	4,889,142,800	1,768	1.14
2010	61,703,405	31,635	5,208,569,900	1,950	1.18

Annual Debt Service as of June 30, 2014

Fiscal Year	Existing Debt (2)		School Aid Subsidy	MWPAT Subsidy	Net Debt Service	Cumulative Principal Retired	
	Principal (1)	Interest					
2015	\$ 6,219,966	\$ 3,743,148	\$ (825,934)	\$ (74,003)	\$ 9,063,177	6.8	%
2016	5,739,537	3,496,509	(825,933)	(70,436)	8,339,677	13.0	
2017	5,319,118	3,260,495	-	(66,004)	8,513,609	18.8	
2018	5,323,698	3,030,650	-	(62,201)	8,292,147	24.6	
2019	5,368,069	2,816,442	-	(58,251)	8,126,260	30.4	
2020	5,112,650	2,618,970	-	(54,166)	7,677,454	36.0	
2021	5,160,325	2,416,869	-	(49,939)	7,527,255	41.6	
2022	5,219,906	2,196,980	-	(45,583)	7,371,303	47.3	
2023	4,939,277	1,973,156	-	(40,900)	6,871,533	52.7	
2024	4,638,648	1,758,924	-	(35,993)	6,361,579	57.7	
2025	4,423,229	1,572,375	-	(26,259)	5,969,345	62.6	
2026	3,605,000	1,419,525	-	-	5,024,525	66.5	
2027	3,125,000	1,270,375	-	-	4,395,375	69.9	
2028	2,220,000	1,140,312	-	-	3,360,312	72.3	
2029	2,165,000	1,049,488	-	-	3,214,488	74.6	
2030	1,910,000	967,988	-	-	2,877,988	76.7	
2031	1,990,000	888,744	-	-	2,878,744	78.9	
2032	2,075,000	804,903	-	-	2,879,903	81.2	
2033	2,165,000	716,100	-	-	2,881,100	83.5	
2034	2,255,000	622,175	-	-	2,877,175	86.0	
2035	2,355,000	522,741	-	-	2,877,741	88.5	
2036	2,460,000	417,412	-	-	2,877,412	91.2	
2037	2,575,000	305,662	-	-	2,880,662	94.0	
2038	2,690,000	187,200	-	-	2,877,200	96.9	
2039	2,815,000	63,338	-	-	2,878,338	100.0	
Totals	<u>\$ 91,869,423</u>	<u>\$ 39,260,481</u>	<u>\$ (1,651,867)</u>	<u>\$ (583,734)</u>	<u>\$ 128,894,303</u>		

(1) Excludes temporary loans, lease-purchase obligations, overlapping debt, unfunded pension liability and other unfunded post-employment benefits liability and subsequent issues.

(2) Principal totaling \$53,328,303 and interest totaling \$29,780,667 has been voted exempt from Proposition 2 1/2, so called.

Authorized Unissued Debt and Prospective Financing

Currently, the Town has \$21,719,798 of authorized unissued debt for the following purposes:

School Feasibility Study	\$2,400,000
High School Construction	10,819,798
Water System Improvements	4,400,000
Road Improvements	3,100,000
Library Reconstruction Design	<u>1,000,000</u>
Total	<u>\$21,719,798</u>

On February 1, 2012, the Town Council voted to authorize \$104,649,876 for the construction and original equipping of a new High School subject to a successful vote of the Town to be held March 27, 2012 to exclude debt service for the project from the limitations of Proposition 2 1/2. The Town expects to receive a grant for the project equal to eligible project costs up to \$54,365,460 from the Massachusetts School Building Authority. The Town issued \$43,990,000 bonds in August 2013 and has received grant payments to date of approximately \$48,830,078.

Overlapping Debt (1)

The following are the principal entities whose indebtedness is chargeable to the Town of Franklin or payable from taxation of property within the Town for fiscal 2015.

<u>Overlapping Entity</u>	<u>Outstanding Debt</u>	<u>Franklin's Estimated Share</u>	<u>Fiscal 2015 Dollar Assessment</u>
Norfolk County (2)	\$12,625,000	3.85 %	\$ 219,993
Tri-County Regional School District (3)	-	21.0	2,184,453
Charles River Water Pollution Control District (4)	10,287,671	63.9	2,272,730

(1) Excludes temporary loans in anticipation of revenue. Omits debt of the Commonwealth.

(2) Source: Treasurer, Norfolk County. Debt is as of June 30, 2014; assessment is for fiscal 2015. Legislation was enacted in 1997 abolishing the county governments of Franklin and Middlesex counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the County in the payment of general obligation notes of the County. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all remaining counties.

(3) Source: Treasurer, Tri-County Regional School District. Debt is as of June 30, 2014; assessment is for fiscal 2015.

(4) Source: Treasurer, Charles River Pollution Control District. Debt is as of June 30, 2014; assessment is for fiscal 2015. The Town is a member along with Medway, Millis, Bellingham and Norfolk is also users of the facility.

Contracts

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The Town of Franklin is currently a participant in the following contracts:

<u>Name</u>	<u>Nature of Contract</u>	<u>Annual Cost Fiscal 2015</u>	<u>Contract Expiration Date</u>
Waste Management	Solid Waste Collection	\$1,197,127	6/30/15
W.T. Holmes Transportation Co.	School Busing	1,354,320	6/30/15
Wheelabrator Corp.	Solid Waste Disposal	563,572	12/30/27
Whitsons Culinary Group	School Food Service	723,333	6/30/16

Retirement Systems

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

The Town participates in the contributory retirement system of Norfolk County. The annual contributions of the Town to the Retirement System for the last five fiscal years and as budgeted for the current fiscal year are as follows:

<u>Fiscal Year</u>	<u>Town Contribution</u>
2015 (budgeted)	\$3,661,687
2014	3,662,597
2013	3,506,741
2012	3,341,223
2011	3,558,923
2010	3,430,350

The foregoing data do not include the retirement system costs or liabilities of any larger entity other than the County of which the Town is constituent part and for which it is assessed a share of expenses.

As of January 1, 2014, the date of the latest actuarial valuation, the total pension benefit obligation of the county contributory retirement system was \$1,247,596,772 and the net assets available for benefits totaled \$696,682,779, leaving an unfunded pension benefit obligation of \$550,913,993. The Town's share of the unfunded pension benefit obligation is estimated to be approximately 8.34% or \$43,428,481.

Norfolk County Contributory Retirement System Funding Schedule

Appropriation Forecast							
Fiscal Year Ending Payroll*		Employee Contribution	Employer Normal Cost with Interest	Amortization	Employer	Employer Total Cost % of Payroll	Funded Ratio %**
				Payments with Interest	Total Cost with Interest		
2015	\$ 246,722,941	\$21,275,861	\$14,337,308	\$34,942,692	\$49,280,000	20.0 %	55.8 %
2016	257,825,473	22,434,875	14,768,458	39,439,542	54,208,000	21.0	57.4
2017	269,427,620	23,655,116	15,209,379	44,418,621	59,628,000	22.1	59.5
2018	281,551,863	24,939,749	15,660,077	49,931,523	65,591,600	23.3	61.6
2019	294,221,696	26,292,096	16,120,538	56,030,310	72,150,848	24.5	63.8
2020	307,461,673	27,715,652	16,590,729	60,786,186	77,376,915	25.2	66.0
2021	321,297,448	29,214,087	17,070,594	63,225,805	80,296,399	25.0	68.3
2022	335,755,833	30,791,257	17,560,050	65,763,376	83,323,426	24.8	70.6
2023	350,864,846	32,451,213	18,058,989	68,402,834	86,461,823	24.6	73.1
2024	366,653,764	34,198,213	18,567,273	71,148,272	89,715,545	24.5	75.7
2025	383,153,183	36,036,729	19,084,734	74,003,948	93,088,682	24.3	78.3
2026	400,395,076	37,971,461	19,611,167	76,974,288	96,585,455	24.1	81.1
2027	418,412,855	40,007,344	20,146,333	80,063,901	100,210,234	24.0	84.0
2028	437,241,433	42,149,564	20,689,951	83,277,577	103,967,528	23.8	87.0
2029	456,917,298	44,403,569	21,241,698	84,191,665	105,433,363	23.1	90.1
2030	477,478,576	46,775,082	21,801,206	87,559,332	109,360,538	22.9	93.3
2031	498,965,112	49,270,113	22,368,054	91,061,705	113,429,759	22.7	96.6
2032	521,418,542	51,894,978	22,941,772	-	22,941,772	4.4	100.0
2033	544,882,376	54,656,309	23,521,829	-	23,521,829	4.3	100.0
2034	569,402,083	57,561,072	24,107,634	-	24,107,634	4.2	100.0
2035	595,025,177	60,616,585	24,698,530	-	24,698,530	4.2	100.0
2036	621,801,310	63,830,533	25,293,788	-	25,293,788	4.1	100.0
2037	649,782,369	67,210,988	25,892,605	-	25,892,605	4.0	100.0
2038	679,022,576	70,766,426	26,494,096	-	26,494,096	3.9	100.0
2039	709,578,591	74,505,752	27,097,288	-	27,097,288	3.8	100.0
2040	741,509,628	77,858,511	28,316,666	-	28,316,666	3.8	100.0
2041	774,877,561	81,362,144	29,590,916	-	29,590,916	3.8	100.0
2042	809,747,052	85,023,440	30,922,507	-	30,922,507	3.8	100.0
2043	846,185,669	88,849,495	32,314,020	-	32,314,020	3.8	100.0
2044	884,264,024	92,847,723	33,768,151	-	33,768,151	3.8	100.0
2045	924,055,905	97,025,870	35,287,718	-	35,287,718	3.8	100.0
2046	965,638,421	101,392,034	36,875,665	-	36,875,665	3.8	100.0

Source: Norfolk County Contributory Retirement System funding schedule approved by PERAC November 12, 2014, PERAC.

Other Post-Employment Benefits ('OPEB')

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis. The recent trend in the Town's annual contributions for its other post-employment benefits is as follows:

<u>Fiscal Year</u>	<u>Benefit Costs</u>
2015 (budgeted)	\$ 1,815,700
2014	1,550,197
2013	1,786,324
2012	1,660,000
2011	1,530,000
2010	1,945,000

The Governmental Accounting Standards Board ("GASB") promulgated its Statement Nos. 43 and 45, which require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The Town was required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town performed an actuarial valuation of its non-pension, post-employment benefit liability. The Unfunded Actuarial Accrued Liability ('UAAL') on June 30, 2013 was \$46,891,267 (assuming full pre-funding at an 8% rate of return) and was \$89,053,917 (assuming no pre-funding at a 4.0% rate of return). The Annual Required Contribution ('ARC') as of June 30, 2013 assuming full pre-funding was \$4,126,734 and assuming no pre-funding the ARC was \$7,174,128. The Town has established an OPEB Stabilization Fund, the balance of which was \$823,902 at June 30, 2014.

Collective Bargaining

City and town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment.

The Town has approximately 1,000 full-time and part-time employees, including those in the School Department. Approximately 87 percent belong to unions or other collective bargaining groups as shown below:

<u>Employee Category</u>	<u>Represented by</u>	<u>Number of Employees</u>	<u>Contract Expires</u>
Police	International Brotherhood of Police Officers	32	6/30/15
Police Sergeants	International Brotherhood of Police Officers	8	6/30/15
Firemen	International Association of Firefighters	48	6/30/11 (1)
Clerical Workers	AFSCME	13	6/30/15
Custodians	AFSCME	33	6/30/15
Dispatchers	AFSCME	10	6/30/15
Public Works	AFSCME	28	6/30/15
Public Facilities	AFSCME	3	6/30/15
Library	Massachusetts Federation of Teachers	8	6/30/15
School:			
Teachers and Nurses	Franklin Education Association	501	8/31/16
Clerical	Franklin Education Association	17	6/30/16
Cafeteria Workers	Franklin Education Association	43	6/30/16
Support Personnel	Franklin Education Association	113	6/30/17
Van Drivers	Local Association	9	6/30/16
Total		<u>866</u>	

(1) In negotiation.

LITIGATION

At present there are number of suits pending in which the Town is a defendant. In the opinion of Town Counsel, none of the pending litigation is considered likely to result, either individually or in the aggregate, in final judgments which would materially affect the financial position of the Town.

February 18, 2015

TOWN OF FRANKLIN, MASSACHUSETTS
/s/ James P. Dacey, Treasurer

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TOWN OF FRANKLIN, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2013

Town of Franklin, Massachusetts

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Franklin, Massachusetts

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 Franklin, Massachusetts, as of and for the year ended June 30, 2013, 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.

Auditor's 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 auditor's 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 Franklin, Massachusetts, as of June 30, 2013, 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 Schedule of Funding Progress 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 Information

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2014 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 + Company P.C.

Andover, Massachusetts
February 20, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Franklin we offer readers this narrative overview and analysis of the financial activities of the Town of Franklin for the fiscal year ended June 30, 2013.

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 comprise 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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position 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, and culture and recreation. The business-type activities include sewer, water and solid waste activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide

financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Proprietary funds. Proprietary funds are maintained as follows:

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

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer, water and solid waste operations. The sewer and water funds are considered major funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$173,594,780 (i.e., net position), a change of \$6,689,787 in comparison to the prior year.
- As of the close of the current fiscal year, governmental activities reported unrestricted net position of \$(12,652,886), a change of \$(4,503,208), in comparison to the prior year. This change is primarily due to an increase in the unfunded other post-employment benefits liability of \$5,231,494.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$13,057,706, a change of \$(13,956,557) in comparison to the prior year. This change is primarily due to expenditures for the ongoing High School construction project, which is funded by MSBA grant revenues and bond anticipation notes. The Town issued long-term debt in the form of general obligation bonds to pay off the short-term borrowings in August 2013.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,766,981, a change of \$(731,838) in comparison to the prior year.
- Total bonds payable at the close of the current fiscal year was \$47,881,450, a change of \$(4,997,264) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	<u>NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 49,837	\$ 38,458	\$ 13,340	\$ 11,487	\$ 63,177	\$ 49,945
Capital assets	171,188	148,957	57,044	56,681	228,232	205,638
Total assets	221,025	187,415	70,384	68,168	291,409	255,583
Long-term liabilities outstanding	72,446	71,249	9,578	10,376	82,024	81,625
Bond anticipation notes	24,000	2,500	3,000	-	27,000	2,500
Other liabilities	8,446	3,347	344	1,206	8,790	4,553
Total liabilities	104,892	77,096	12,922	11,582	117,814	88,678
Net position:						
Net investment in capital assets	117,879	104,078	46,405	46,869	164,284	150,947
Restricted	10,906	13,972	-	-	10,906	13,972
Unrestricted	(12,652)	(7,731)	11,057	9,717	(1,595)	1,986
Total net position	\$ 116,133	\$ 110,319	\$ 57,462	\$ 56,586	\$ 173,595	\$ 166,905

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,387	\$ 7,352	\$ 12,893	\$ 11,899	\$ 18,280	\$ 19,251
Operating grants and contributions	15,226	14,734	-	-	15,226	14,734
Capital grants and contributions	13,830	972	-	-	13,830	972
General revenues:						
Property taxes	57,864	56,048	-	-	57,864	56,048
Excises	5,104	3,857	-	-	5,104	3,857
Penalties, interest, and other taxes	305	361	-	-	305	361
Grants and contributions not restricted to specific programs	30,048	29,951	-	-	30,048	29,951
Investment income	100	426	23	25	123	451
Miscellaneous	294	1,296	10	-	304	1,296
Total revenues	<u>128,158</u>	<u>114,997</u>	<u>12,926</u>	<u>11,924</u>	<u>141,084</u>	<u>126,921</u>
Expenses:						
General government	12,602	10,066	-	-	12,602	10,066
Public safety	9,971	9,730	-	-	9,971	9,730
Education	72,676	70,575	-	-	72,676	70,575
Public works	6,805	5,308	-	-	6,805	5,308
Human services	834	837	-	-	834	837
Culture and recreation	1,365	1,271	-	-	1,365	1,271
Employee benefits	12,924	14,048	-	-	12,924	14,048
Interest on long-term debt	1,980	1,719	-	-	1,980	1,719
Intergovernmental	4,589	4,458	-	-	4,589	4,458
Sewer	-	-	4,438	3,928	4,438	3,928
Water	-	-	4,253	4,333	4,253	4,333
Sanitation	-	-	1,707	1,887	1,707	1,887
Total expenses	<u>123,746</u>	<u>118,012</u>	<u>10,398</u>	<u>10,148</u>	<u>134,144</u>	<u>128,160</u>
Change in net position before transfers	4,412	(3,015)	2,528	1,776	6,940	(1,239)
Transfers in (out)	<u>1,402</u>	<u>2,050</u>	<u>(1,652)</u>	<u>(2,050)</u>	<u>(250)</u>	<u>-</u>
Change in net position	5,814	(965)	876	(274)	6,690	(1,239)
Net position - beginning of year, as restated	<u>110,319</u>	<u>111,284</u>	<u>56,586</u>	<u>56,860</u>	<u>166,905</u>	<u>168,144</u>
Net position - end of year	<u>\$ 116,133</u>	<u>\$ 110,319</u>	<u>\$ 57,462</u>	<u>\$ 56,586</u>	<u>\$ 173,595</u>	<u>\$ 166,905</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 \$173,594,780, a change of \$6,689,787 from the prior year.

The largest portion of net position \$164,284,320 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$10,906,064 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$(1,595,604).

Governmental activities. Governmental activities for the year resulted in a change in net position of \$5,813,370. Key elements of this change are as follows:

General fund revenues and transfers in excess of expenditures and transfers out	\$ 304,765
High School construction fund change in fund balance, net of capital additions	13,285,901
MSBA grants recognized in prior years	(825,934)
Increase in net OPEB obligation	(5,231,494)
Depreciation expense in excess of principal debt service expense	(1,795,952)
Other	76,084
Total	<u><u>\$ 5,813,370</u></u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$876,417. Key elements of this change are as follows:

Sewer operations	\$ (463,786)
Water operations	1,231,547
Solid waste operations	108,656
Total	<u><u>\$ 876,417</u></u>

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 \$13,057,706, a change of \$(13,956,557) in comparison to the prior year. Key elements of this change are as follows:

General fund revenues and transfers in in excess of expenditures and transfers out	\$ 304,765
High School construction expenditures in excess of revenues	(11,945,545)
Special revenue fund expenditures and transfers out in excess of revenues and transfers in	(2,244,994)
Capital projects fund expenditures	(318,520)
Trust fund revenues in excess of expenditures	<u>247,737</u>
Total	<u>\$ (13,956,557)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,766,981, while total fund balance was \$15,380,602. 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>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance ⁽¹⁾	\$ 8,766,981	\$ 9,498,819	\$ (731,838)	8.1%
Total fund balance	\$ 15,380,602	\$ 15,075,837	\$ 304,765	14.2%

⁽¹⁾ Includes \$4,831,767 in general stabilization and \$1,003,688 in budget stabilization funds.

The total fund balance of the general fund changed by \$304,765 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (3,634,805)
Add back transfers to stabilization funds	<u>1,150,000</u>
Subtotal	(2,484,805)
Revenues in excess of budget	1,294,788
Expenditures less than budget	1,307,775
Other	<u>187,007</u>
Total	<u>\$ 304,765</u>

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

	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>
General stabilization	\$ 4,831,767	\$ 5,210,261	\$ (378,494)
Budget stabilization	1,003,688	-	1,003,688
Public works stabilization	276,201	275,602	599
Senior center stabilization	351,301	150,194	201,107
Athletic fields stabilization	351,301	150,194	201,107
Fire truck stabilization	175,650	75,097	100,553
Traffic signal stabilization	<u>4,574</u>	<u>4,563</u>	<u>11</u>
Total	<u>\$ 6,994,482</u>	<u>\$ 5,865,911</u>	<u>\$ 1,128,571</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 \$11,057,282, a change of \$921,065 in comparison to 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 \$5,833,290. Major reasons for these amendments include:

\$ 1,421,730	appropriated for repairs to DelCarte Dam No. 3; funded by hotel taxes, free cash, and a transfer from the Sale of Real Estate - Receipts Reserved for Appropriation account.
27,638	appropriated for a new police cruiser; funded by a transfer from the Insurance Recovery special revenue account.
775,000	appropriated for the Budget Stabilization Fund; funded by taxes.
38,000	appropriated to pay abatement interest; funded by taxes.
25,000	appropriated for consulting services in the fiscal 2013 Technology Budget; funded by free cash.
37,522	appropriated to complete roadwork and related infrastructure at Kensington Estates; funded by a forfeited subdivision bond.
1,598,000	appropriated for the 2013 Capital Improvement Plan; funded by free cash.
1,000	appropriated for the Town Clerk Advertising Budget; funded by free cash.

(continued)

(continued)

35,000	appropriated to install a pedestrian safety signal at Parmenter School; funded by free cash.
12,400	appropriated to pay costs associated with two special elections; funded by free cash.
500,000	appropriated to fund repairs to the roof of the Remington Jefferson School; funded by free cash.
75,000	appropriated to retain appraiser and provide compensation for permanent and temporary easements for the Downtown HHP Project; funded by free cash.
150,000	appropriated for the purchase and demolition of 37 Beaver Street to be used as a parking lot for the Senior Center; funded by free cash.
100,000	appropriated for Fire Department salaries; funded by a transfer from the fiscal year 2012 Employee Benefits encumbrance.
162,000	appropriated for the 2013 Capital Improvement Plan; funded by free cash.
200,000	appropriated for the Senior Center Capital Improvement Stabilization Fund; funded by free cash.
100,000	appropriated for the Fire Truck Stabilization Fund; funded by free cash.
200,000	appropriated for the Athletic Fields Capital Improvement Stabilization Fund; funded by free cash.
225,000	appropriated for the Operating Budget Stabilization Fund; funded by free cash.
150,000	appropriated for the Other Post Employment Benefits Stabilization Fund; funded by free cash.
<u>\$ 5,833,290</u>	Total supplemental appropriations

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$228,232,385 (net of accumulated depreciation), a change of \$22,594,091 from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year include ongoing construction costs for the new high school, school HVAC improvements, sewer and water system improvements, various street improvements, and the acquisition of vehicles, and equipment for police, fire, public works, and school departments.

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

Credit rating. During the fiscal year, the Town's Standard & Poor's AA credit rating remained unchanged.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$47,881,450, all of which was backed by the full faith and credit of the government.

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

G. STABILIZATION FUNDS

In the late 1990s, the Town settled a legal case and received over six million dollars. The funds were paid to the Town over several years. All funds received from the settlement were voted into the general Stabilization Fund, resulting in a balance of over \$9,000,000 in the account. The Stabilization Fund, plus interest, may be appropriated at any Town Council meeting for any municipal purpose. The Town always maintained a “traditional” general fund stabilization account.

At that point, the Town created two new stabilization accounts to set aside funds for known future costs. The Town voted to appropriate \$1,100,000 to pay for the Town’s share of Town state-funded road projects and to replace a culvert. The second was a Debt Stabilization account to take the “peak” off the debt schedule the Town adopted in accordance with our fiscal policy on debt. The Debt Stabilization account served its intended purpose and no funds currently remain in the account. In FY11, the Town Council voted to increase the Public Works Stabilization account for future related projects.

The Town Council voted in FY 2004, 2007 and 2008 to use general stabilization funds to balance the annual operating budget. However, once the fund reached the minimum amount established by the Town Council’s fiscal policy (\$4.5 million or 5% of general operating budget), no other funds were used until FY2013, when the Town Council voted to use \$350,000 for the annual operating budget.

In FY12, the Town Council voted to establish three additional stabilization funds for future Town appropriations. These funds include the Senior Center Capital Improvements Stabilization Fund, the Athletic Field Capital Improvements Stabilization Fund, and the Fire Truck Stabilization Fund, all of which are reported as “Other Stabilization” in the table below.

In FY13, the Town Council voted to establish a Budget Stabilization Fund for the purpose of stabilizing future Town budgets. This new fund is reported in a separate column in the table below.

The table below sets forth stabilization fund balances at year-end for the last nine fiscal years (in thousands):

<u>As of June 30</u>	<u>Stabilization Fund Balance</u>	<u>Budget Stabilization</u>	<u>Debt Stabilization</u>	<u>Public Works Stabilization</u>	<u>Other Stabilization</u>	<u>Total Stabilization</u>
2013	\$ 4,832	\$ 1,004	\$ -	\$ 276	\$ 882	\$ 6,994
2012	\$ 5,210	\$ -	\$ -	\$ 276	\$ 380	\$ 5,866
2011	\$ 4,779	\$ -	\$ -	\$ 275	\$ 5	\$ 5,059
2010	\$ 4,647	\$ -	\$ 380	\$ 130	\$ -	\$ 5,157
2009	\$ 4,573	\$ -	\$ 403	\$ 738	\$ -	\$ 5,714
2008	\$ 4,137	\$ -	\$ 568	\$ 792	\$ -	\$ 5,497
2007	\$ 5,224	\$ -	\$ 552	\$ 924	\$ -	\$ 6,700
2006	\$ 7,008	\$ -	\$ 535	\$ 1,172	\$ -	\$ 8,715
2005	\$ 6,957	\$ -	\$ 865	\$ 1,124	\$ -	\$ 8,946

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Franklin'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:

Comptroller's Office
355 East Central Street
Franklin, Massachusetts 02038

TOWN OF FRANKLIN, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 31,640,005	\$ 9,634,057	\$ 41,274,062
Investments	9,583,933	-	9,583,933
Receivables, net of allowance for uncollectibles:			
Property taxes	481,712	-	481,712
Excises	403,511	-	403,511
User fees	837,275	3,395,882	4,233,157
Intergovernmental	4,617,837	-	4,617,837
Betterments	1,652	28,913	30,565
Other assets	44,000	-	44,000
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	559,863	-	559,863
Intergovernmental	1,651,867	-	1,651,867
Betterments	14,867	281,153	296,020
Land and construction in progress	45,744,070	4,348,360	50,092,430
Capital assets being depreciated, net of accumulated depreciation	<u>125,444,284</u>	<u>52,695,671</u>	<u>178,139,955</u>
TOTAL ASSETS	221,024,876	70,384,036	291,408,912
LIABILITIES			
Current:			
Warrants and accounts payable	5,834,668	295,006	6,129,674
Accrued liabilities	1,784,583	48,706	1,833,289
Notes payable	24,000,000	3,000,000	27,000,000
Tax refunds payable	300,600	-	300,600
Other liabilities	526,029	-	526,029
Current portion of long-term liabilities:			
Bonds payable	4,126,637	875,388	5,002,025
Compensated absences	85,308	6,417	91,725
Noncurrent:			
Bonds payable, net of current portion	34,810,486	8,068,939	42,879,425
Compensated absences, net of current portion	1,620,850	121,916	1,742,766
Other post-employment benefits	<u>31,803,179</u>	<u>505,420</u>	<u>32,308,599</u>
TOTAL LIABILITIES	104,892,340	12,921,792	117,814,132
NET POSITION			
Net investment in capital assets	117,879,358	46,404,962	164,284,320
Restricted for:			
Grants and other statutory restrictions	7,318,653	-	7,318,653
Permanent funds:			
Nonexpendable	503,930	-	503,930
Expendable	3,083,481	-	3,083,481
Unrestricted	<u>(12,652,886)</u>	<u>11,057,282</u>	<u>(1,595,604)</u>
TOTAL NET ASSETS	\$ <u>116,132,536</u>	\$ <u>57,462,244</u>	\$ <u>173,594,780</u>

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

TOWN OF FRANKLIN, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 12,601,737	\$ 208,383	\$ 1,210,556	\$ -	\$ (11,182,798)	\$ -	\$ (11,182,798)
Public safety	9,971,356	943,123	927,274	-	(8,100,959)	-	(8,100,959)
Education	72,675,822	3,467,493	12,723,991	13,192,104	(43,292,234)	-	(43,292,234)
Public works	6,804,795	159,736	28,657	638,012	(5,978,390)	-	(5,978,390)
Health and human services	834,557	113,507	255,031	-	(466,019)	-	(466,019)
Culture and recreation	1,364,667	494,463	71,473	-	(798,731)	-	(798,731)
Insurance and benefits	12,923,897	-	8,548	-	(12,915,349)	-	(12,915,349)
Interest	1,979,514	-	-	-	(1,979,514)	-	(1,979,514)
Intergovernmental	4,589,317	-	-	-	(4,589,317)	-	(4,589,317)
Total Governmental Activities	123,745,662	5,386,705	15,225,530	13,830,116	(89,303,311)	-	(89,303,311)
Business-Type Activities:							
Sewer services	4,437,516	4,644,483	-	-	-	206,967	206,967
Water services	4,253,120	6,363,233	-	-	-	2,110,113	2,110,113
Sanitation services	1,707,415	1,885,619	-	-	-	178,204	178,204
Total Business-Type Activities	10,398,051	12,893,335	-	-	-	2,495,284	2,495,284
Total	<u>\$ 134,143,713</u>	<u>\$ 18,280,040</u>	<u>\$ 15,225,530</u>	<u>\$ 13,830,116</u>	(89,303,311)	2,495,284	(86,808,027)
General Revenues and transfers:							
Property taxes					57,863,572	-	57,863,572
Excises					5,104,103	-	5,104,103
Penalties, interest and other taxes					305,073	-	305,073
Grants and contributions not restricted to specific programs					30,048,269	-	30,048,269
Investment income					99,578	23,160	122,738
Miscellaneous					293,599	10,460	304,059
Transfers, net					1,402,487	(1,652,487)	(250,000)
Total general revenues					95,116,681	(1,618,867)	93,497,814
Change in Net Position					5,813,370	876,417	6,689,787
Net Position:							
Beginning of year, as restated					110,319,166	56,585,827	166,904,993
End of year					<u>\$ 116,132,536</u>	<u>\$ 57,462,244</u>	<u>\$ 173,594,780</u>

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

TOWN OF FRANKLIN, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	General Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and short-term investments	\$ 12,906,349	\$ 11,229,678	\$ 7,503,978	\$ 31,640,005
Investments	5,409,296	-	4,174,637	9,583,933
Receivables:				
Property taxes	1,258,503	-	-	1,258,503
Excises	700,121	-	-	700,121
User fees	1,395,459	-	-	1,395,459
Intergovernmental	-	2,676,365	1,115,538	3,791,903
TOTAL ASSETS	\$ 21,669,728	\$ 13,906,043	\$ 12,794,153	\$ 48,369,924
LIABILITIES				
Warrants and accounts payable	\$ 811,576	\$ 4,503,953	\$ 519,139	\$ 5,834,668
Accrued liabilities	1,461,162	-	-	1,461,162
Notes payable	-	24,000,000	-	24,000,000
Tax refunds payable	300,600	-	-	300,600
Other liabilities	526,029	-	-	526,029
TOTAL LIABILITIES	3,099,367	28,503,953	519,139	32,122,459
DEFERRED INFLOWS OF RESOURCES	3,189,759	-	-	3,189,759
FUND BALANCES				
Nonspendable	-	-	503,930	503,930
Restricted	222,477	-	10,770,351	10,992,828
Committed	5,520,028	-	1,551,498	7,071,526
Assigned	871,116	-	-	871,116
Unassigned	8,766,981	(14,597,910)	(550,765)	(6,381,694)
TOTAL FUND BALANCES	15,380,602	(14,597,910)	12,275,014	13,057,706
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 21,669,728	\$ 13,906,043	\$ 12,794,153	\$ 48,369,924

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

TOWN OF FRANKLIN, MASSACHUSETTS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2013

Total governmental fund balances	\$ 13,057,706
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	171,188,354
• Revenues are reported on the accrual basis of accounting and are not reported at the fund level.	2,178,556
• MSBA reimbursements for contracted assistance projects are not receivable in the current period and, therefore, are not reported in the governmental funds.	2,477,801
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(323,421)
• Long-term liabilities, including bonds payable, compensated absences, and other post-employment benefits, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(72,446,460)</u>
Net position of governmental activities	<u><u>\$ 116,132,536</u></u>

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

TOWN OF FRANKLIN, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2013

	General <u>Fund</u>	High School Construction <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
Property taxes	\$ 57,986,855	\$ -	\$ -	\$ 57,986,855
Excises	4,955,286	-	-	4,955,286
Penalties, interest and other taxes	283,123	-	405	283,528
Special assessments	5,430	-	-	5,430
Charges for services	1,831,338	-	3,845,684	5,677,022
Licenses and permits	924,996	-	-	924,996
Intergovernmental	39,425,903	13,192,104	5,104,517	57,722,524
Fines and forfeitures	143,458	-	39,842	183,300
Contributions	-	-	1,187,710	1,187,710
Investment income	216,848	-	(84,118)	132,730
Miscellaneous	293,598	-	63,825	357,423
Total Revenues	106,066,835	13,192,104	10,157,865	129,416,804
Expenditures:				
Current:				
General government	9,414,781	-	2,701,644	12,116,425
Public safety	9,109,290	-	137,981	9,247,271
Education	62,890,484	-	7,129,924	70,020,408
Public works	4,552,105	-	220,522	4,772,627
Health and human services	508,656	-	162,608	671,264
Culture and recreation	1,029,214	-	47,146	1,076,360
Insurance and benefits	7,687,045	-	5,357	7,692,402
Debt service	6,105,227	-	-	6,105,227
Intergovernmental	4,589,317	-	-	4,589,317
Capital outlay	2,059,936	25,137,649	1,286,962	28,484,547
Total Expenditures	107,946,055	25,137,649	11,692,144	144,775,848
Excess (deficiency) of revenues over expenditures	(1,879,220)	(11,945,545)	(1,534,279)	(15,359,044)
Other Financing Sources (Uses):				
Transfers in	2,539,376	-	105,391	2,644,767
Transfers out	(355,391)	-	(886,889)	(1,242,280)
Total Other Financing Sources (Uses)	2,183,985	-	(781,498)	1,402,487
Change in fund balance	304,765	(11,945,545)	(2,315,777)	(13,956,557)
Fund Balance, at Beginning of Year	15,075,837	(2,652,365)	14,590,791	27,014,263
Fund Balance, at End of Year	\$ 15,380,602	\$ (14,597,910)	\$ 12,275,014	\$ 13,057,706

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

TOWN OF FRANKLIN, 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, 2013

Net changes in fund balances - total governmental funds \$ (13,956,557)

- 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:

Capital outlay purchases	28,244,600
Loss on disposition of assets	(88,216)
Depreciation	(5,925,041)

- 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. (477,923)

- 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. (825,934)

- 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:

Repayments of debt	4,129,089
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- In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 40,224

- Some expenses reported in the Statement of Activities, such as compensated absences and other post-employment benefits, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. (5,326,872)

Change in net position of governmental activities \$ 5,813,370

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

TOWN OF FRANKLIN, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Positive (Negative)</u>
Revenues and Transfers In:				
Property taxes	\$ 56,981,690	\$ 57,793,616	\$ 57,793,616	\$ -
Motor vehicle excise	3,525,000	3,525,000	3,989,677	464,677
Other excise	380,000	780,000	964,913	184,913
Penalties, interest and other taxes	325,000	325,000	283,123	(41,877)
Charges for services	1,709,500	1,709,500	1,831,338	121,838
Licenses and permits	825,000	825,000	924,996	99,996
Intergovernmental	31,005,397	31,005,397	31,025,374	19,977
Fines and forfeitures	100,000	100,000	143,458	43,458
Investment income	130,000	130,000	238,277	108,277
Miscellaneous	5,500	5,500	299,029	293,529
Transfers in	<u>1,343,000</u>	<u>2,229,890</u>	<u>2,229,890</u>	<u>-</u>
Total Revenues and Transfers In	96,330,087	98,428,903	99,723,691	1,294,788
Expenditures and Transfers Out:				
General government	8,757,407	9,838,874	9,668,846	170,028
Public safety	9,155,717	9,283,355	9,110,960	172,395
Education	54,581,415	55,081,415	55,014,431	66,984
Public works	3,970,832	4,008,354	3,830,471	177,883
Health and human services	518,126	523,471	506,143	17,328
Culture and recreation	1,066,290	1,066,290	1,026,467	39,823
Debt service	5,118,917	5,156,917	5,151,366	5,551
Insurance and benefits	8,331,741	8,210,059	7,809,852	400,207
Capital outlay	-	2,415,000	2,405,564	9,436
Intergovernmental	4,837,457	4,837,457	4,589,317	248,140
Transfers out	<u>-</u>	<u>1,750,000</u>	<u>1,750,000</u>	<u>-</u>
Total Expenditures and Transfers Out	<u>96,337,902</u>	<u>102,171,192</u>	<u>100,863,417</u>	<u>1,307,775</u>
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(7,815)	(3,742,289)	(1,139,726)	2,602,563
Other Financing Source:				
Use of free cash	-	3,634,805	3,634,805	-
Use of other fund balance reserves	<u>7,815</u>	<u>107,484</u>	<u>107,484</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,602,563</u>	<u>\$ 2,602,563</u>

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

TOWN OF FRANKLIN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Non-major Solid Waste Fund	Total
ASSETS				
Current:				
Cash and short-term investments	\$ 2,148,470	\$ 6,948,226	\$ 537,361	\$ 9,634,057
Receivables, net of allowance for uncollectibles:				
User fees	1,369,156	1,830,344	196,382	3,395,882
Betterments	28,763	150	-	28,913
Total current assets	3,546,389	8,778,720	733,743	13,058,852
Noncurrent:				
Receivables, net of allowance for uncollectibles:				
Betterments	281,153	-	-	281,153
Land and construction in progress	679,558	3,621,871	46,931	4,348,360
Other capital assets, net of accumulated depreciation	11,266,588	40,910,331	518,752	52,695,671
Total noncurrent assets	12,227,299	44,532,202	565,683	57,325,184
TOTAL ASSETS	15,773,688	53,310,922	1,299,426	70,384,036
LIABILITIES				
Current:				
Warrants and accounts payable	63,247	229,483	2,276	295,006
Accrued liabilities	10,558	38,148	-	48,706
Notes payable	-	3,000,000	-	3,000,000
Current portion of long-term liabilities:				
Bonds payable	121,727	753,661	-	875,388
Compensated absences	2,305	3,659	453	6,417
Total current liabilities	197,837	4,024,951	2,729	4,225,517
Noncurrent:				
Bonds payable, net of current portion	1,147,707	6,921,232	-	8,068,939
Compensated absences, net of current portion	43,795	69,513	8,608	121,916
Other post-employment benefits	186,371	319,049	-	505,420
Total noncurrent liabilities	1,377,873	7,309,794	8,608	8,696,275
TOTAL LIABILITIES	1,575,710	11,334,745	11,337	12,921,792
NET POSITION				
Net investment in capital assets	10,676,712	35,162,567	565,683	46,404,962
Unrestricted	3,521,266	6,813,610	722,406	11,057,282
TOTAL NET POSITION	\$ 14,197,978	\$ 41,976,177	\$ 1,288,089	\$ 57,462,244

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

TOWN OF FRANKLIN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Non-major Solid Waste Fund	Total
Operating Revenues:				
Charges for services	\$ 4,644,483	\$ 6,363,233	\$ 1,885,619	\$ 12,893,335
Total Operating Revenues	4,644,483	6,363,233	1,885,619	12,893,335
Operating Expenses:				
Personnel	603,844	948,460	53,198	1,605,502
Non-personnel	710,567	1,594,770	1,574,409	3,879,746
Depreciation	420,157	1,441,747	79,808	1,941,712
Intergovernmental	2,654,880	-	-	2,654,880
Total Operating Expenses	4,389,448	3,984,977	1,707,415	10,081,840
Operating Income	255,035	2,378,256	178,204	2,811,495
Nonoperating Revenues (Expenses):				
Interest income	4,766	16,892	1,502	23,160
Miscellaneous revenues	-	5,510	4,950	10,460
Interest expense	(48,068)	(268,143)	-	(316,211)
Total Nonoperating Revenues (Expenses)	(43,302)	(245,741)	6,452	(282,591)
Income Before Transfers	211,733	2,132,515	184,656	2,528,904
Transfers:				
Transfers out	(675,519)	(900,968)	(76,000)	(1,652,487)
Total Other Financing Sources (Uses)	(675,519)	(900,968)	(76,000)	(1,652,487)
Change in Net Position	(463,786)	1,231,547	108,656	876,417
Net Position at Beginning of Year, as restated	14,661,764	40,744,630	1,179,433	56,585,827
Net Position at End of Year	\$ 14,197,978	\$ 41,976,177	\$ 1,288,089	\$ 57,462,244

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

TOWN OF FRANKLIN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Non-major Solid Waste Fund	Total
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 4,524,568	\$ 6,498,282	\$ 1,902,323	\$ 12,925,173
Payments to vendors	(3,448,394)	(1,513,759)	(1,711,203)	(6,673,356)
Payments to employees	(570,095)	(907,265)	(57,953)	(1,535,313)
Net Cash Provided By Operating Activities	506,079	4,077,258	133,167	4,716,504
<u>Cash Flows From Noncapital Financing Activities:</u>				
Miscellaneous revenues	-	5,510	4,950	10,460
Transfer out	(675,519)	(900,968)	(76,000)	(1,652,487)
Net Cash (Used For) Noncapital Financing Activities	(675,519)	(895,458)	(71,050)	(1,642,027)
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Acquisition and construction of capital assets	(103,065)	(2,201,395)	-	(2,304,460)
Proceeds of notes	-	3,000,000	-	3,000,000
Principal payments on bonds	(122,427)	(745,748)	-	(868,175)
Interest expense	(49,237)	(273,417)	-	(322,654)
Net Cash (Used For) Capital and Related Financing Activities	(274,729)	(220,560)	-	(495,289)
<u>Cash Flows From Investing Activities:</u>				
Investment income	4,766	16,893	1,502	23,161
Net Change in Cash and Short-Term Investments	(439,403)	2,978,133	63,619	2,602,349
Cash and Short-Term Investments, Beginning of Year	2,587,873	3,970,093	473,742	7,031,708
Cash and Short-Term Investments, End of Year	\$ 2,148,470	\$ 6,948,226	\$ 537,361	\$ 9,634,057
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>				
Operating income	\$ 255,035	\$ 2,378,256	\$ 178,204	\$ 2,811,495
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	420,157	1,441,747	79,808	1,941,712
Changes in assets and liabilities:				
User fees receivable	(119,915)	135,050	16,704	31,839
Warrants and accounts payable	(82,947)	81,010	(136,794)	(138,731)
Other liabilities	33,749	41,195	(4,755)	70,189
Net Cash Provided By Operating Activities	\$ 506,079	\$ 4,077,258	\$ 133,167	\$ 4,716,504

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

TOWN OF FRANKLIN, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

	Other Post Employment Benefits Trust <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ -	\$ -	\$ 472,095
Investments	320,862	97,766	-
Departmental receivable	-	-	27,639
Other assets	<u>-</u>	<u>-</u>	<u>1,529,251</u>
Total Assets	320,862	97,766	2,028,985
<u>LIABILITIES AND NET POSITION</u>			
Warrants payable	-	-	45,281
Other liabilities	<u>-</u>	<u>-</u>	<u>1,983,704</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,028,985</u>
<u>NET POSITION</u>			
Total net position held in trust	\$ <u><u>320,862</u></u>	\$ <u><u>97,766</u></u>	\$ <u><u>-</u></u>

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

TOWN OF FRANKLIN, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Other Post Employment Benefits Trust <u>Fund</u>	Private Purpose Trust Funds <u>Trust Funds</u>
Additions:		
Contributions	\$ -	\$ 9,570
Investment income	<u>237</u>	<u>363</u>
Total additions	237	9,933
Deductions:		
Scholarship payments	<u>-</u>	<u>10,700</u>
Total deductions	-	10,700
Other financing sources (uses):		
Transfers in	<u>250,000</u>	<u>-</u>
Total other financing sources (uses)	<u>250,000</u>	<u>-</u>
Net increase (decrease)	250,237	(767)
Net position:		
Beginning of year	<u>70,625</u>	<u>98,533</u>
End of year	<u><u>\$ 320,862</u></u>	<u><u>\$ 97,766</u></u>

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

TOWN OF FRANKLIN, MASSACHUSETTS

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Franklin (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 Town Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2013, it was determined that no entities met the required GASB 39 criteria of component units.

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.

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 govern-

mental 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 government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *High School Construction Fund* accounts for activity associated with the construction of the new high school.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary funds:

- Sewer Fund
- Water Fund

The *Other Post-Employment Benefits Trust Fund* is used to account for monies the Town is setting aside to fund its future post-retirement health insurance obligations.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

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 are 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 Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market 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 2013 tax levy reflected an excess capacity of \$34,997.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$15,000 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	20
Infrastructure	30 - 50
Vehicles	5
Office equipment	5
Computer equipment	5

H. 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.

I. 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.

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

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

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).

- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Town Council).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists 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.

K. 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

The Town Administrator presents, on behalf of the Finance Committee, an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by Town

Council, 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 Town Council meetings as required by changing conditions.

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. 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 supplemental appropriations.

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 106,066,835	\$ 107,946,055
Other financing sources/uses (GAAP Basis)	<u>2,539,376</u>	<u>355,391</u>
Subtotal (GAAP Basis)	108,606,211	108,301,446
Adjust tax revenue to accrual basis	(193,239)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(4,813,885)
Add end-of-year appropriation carryforwards to expenditures	-	5,362,626
Reverse effect of non-budgeted State contributions for teacher's retirement	(8,400,529)	(8,400,529)
Reverse effect of combining stabilization funds with general fund per GASB 54	371,429	1,500,000
Reclass non-budgeted items	<u>(660,181)</u>	<u>(1,086,241)</u>
Budgetary Basis	<u>\$ 99,723,691</u>	<u>\$ 100,863,417</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2013:

High School Construction Fund	\$ (14,597,910)
Highway Chapter 90	(344,695)
HHP Mass Hwy Franklin Ctr Design Grant	(82,105)
Public Safety E-911 Grant	(62,375)
SPED Program Improvement Grant	(21,074)
Metro-LEC Grant	(12,817)
Emergency Performance Management Grant	(10,000)
Other Grants	<u>(17,699)</u>
	<u>\$ (15,148,675)</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 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."

As of June 30, 2013, \$23,349,602 of the Town's bank balance of \$43,279,343 was exposed to custodial credit risk as uninsured or uncollateralized. These exposed funds are primarily held in four high rated banks according to the Veribanc Report. Three are rated GREEN/*** and one is rated GREEN/*.

4. Investments

A. Credit Risk

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

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

<u>Investment Type</u>	<u>Rating as of Year-end</u>					
	<u>Fair Value</u>	<u>Aaa</u>	<u>A1</u>	<u>A3</u>	<u>Baa</u>	<u>Not Rated</u>
U.S. Treasury notes	\$ 3,098	\$ 3,098	\$ -	\$ -	\$ -	\$ -
Federal agency securities	2,207	1,466	-	-	-	741
Corporate bonds	1,151	77	326	198	250	300
Certificates of deposits	2,546	-	-	-	-	2,546
Mutual funds	1,000	-	-	-	-	1,000
Total investments	<u>\$ 10,002</u>	<u>\$ 4,641</u>	<u>\$ 326</u>	<u>\$ 198</u>	<u>\$ 250</u>	<u>\$ 4,587</u>

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. Per the Town's investment policy, the Treasurer will review the financial institution's financial statements and the background of the Advisor. Further, all securities will be held in the Town's name and the tax identification number and held by a third-party custodian.

Of the Town's investments of \$10,002,561, the government has a custodial risk exposure of \$1,040,826 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.

C. Concentration of Credit Risk

The Town will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Town investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows (in thousands):

Federal National Mortgage Association	\$ 1,366
Federal Home Loan Mortgage	<u>537</u>
Total	<u>\$ 1,903</u>

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 investment policy states the Town will manage interest rate risk by managing duration in the account.

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

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. Treasury notes	\$ 3,098	\$ -	\$ 1,858	\$ 1,240	\$ -
Federal agency securities	2,207	204	1,921	82	-
Corporate bonds	1,151	-	1,073	31	47
Certificates of deposit	<u>2,546</u>	<u>541</u>	<u>2,005</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,002</u>	<u>\$ 745</u>	<u>\$ 6,857</u>	<u>\$ 1,353</u>	<u>\$ 47</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's policy for foreign currency risk states the Town will not invest in any investment exposed to foreign currency risk.

5. Taxes Receivable

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

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2013 consist of the following:

Real Estate			
2013	\$	474,517	
2012		10,293	
Prior		<u>5,771</u>	
			490,581
Personal Property			
2013		20,878	
2012		18,601	
Prior		<u>93,769</u>	
			133,248
Tax Liens			622,070
Deferred Taxes			10,270
Other			<u>2,334</u>
Total			<u>\$ 1,258,503</u>

6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 216,929	\$ -
Excises	\$ 296,610	\$ -
User fees	\$ 558,184	\$ -
Sewer	\$ -	\$ 42,055
Water	\$ -	\$ 60,844
Trash	\$ -	\$ 27,661

7. Intergovernmental Receivables

This balance represents Massachusetts School Building Authority grants as well as certain other fiscal year 2013 grant funds. Future receipts are as follows:

	<u>MSBA</u>	<u>Other</u>	<u>Total</u>
2014	\$ 825,934	\$ 3,791,903	\$ 4,617,837
2015	825,934	-	825,934
2016	<u>825,933</u>	<u>-</u>	<u>825,933</u>
	<u>\$ 2,477,801</u>	<u>\$ 3,791,903</u>	<u>\$ 6,269,704</u>

8. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 142,473	\$ 1,350	\$ -	\$ 143,823
Machinery, equipment, and furnishings	9,647	1,119	(568)	10,198
Infrastructure	<u>73,268</u>	<u>1,946</u>	<u>-</u>	<u>75,214</u>
Total capital assets, being depreciated	225,388	4,415	(568)	229,235
Less accumulated depreciation for:				
Buildings and improvements	(50,993)	(3,612)	-	(54,605)
Machinery, equipment, and furnishings	(6,416)	(669)	480	(6,605)
Infrastructure	<u>(40,936)</u>	<u>(1,644)</u>	<u>-</u>	<u>(42,580)</u>
Total accumulated depreciation	<u>(98,345)</u>	<u>(5,925)</u>	<u>480</u>	<u>(103,790)</u>
Total capital assets, being depreciated, net	127,043	(1,510)	(88)	125,445
Capital assets, not being depreciated:				
Land	16,515	-	-	16,515
Construction in progress	<u>5,399</u>	<u>25,180</u>	<u>(1,350)</u>	<u>29,229</u>
Total capital assets, not being depreciated	<u>21,914</u>	<u>25,180</u>	<u>(1,350)</u>	<u>45,744</u>
Governmental activities capital assets, net	<u>\$ 148,957</u>	<u>\$ 23,670</u>	<u>\$ (1,438)</u>	<u>\$ 171,189</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 281	\$ -	\$ -	\$ 281
Machinery, equipment, and furnishings	1,262	185	(84)	1,363
Infrastructure	<u>92,947</u>	<u>2,134</u>	<u>-</u>	<u>95,081</u>
Total capital assets, being depreciated	94,490	2,319	(84)	96,725
Less accumulated depreciation for:				
Buildings and improvements	(99)	(10)	-	(109)
Machinery, equipment, and furnishings	(955)	(97)	84	(968)
Infrastructure	<u>(41,103)</u>	<u>(1,850)</u>	<u>-</u>	<u>(42,953)</u>
Total accumulated depreciation	<u>(42,157)</u>	<u>(1,957)</u>	<u>84</u>	<u>(44,030)</u>
Total capital assets, being depreciated, net	52,333	362	-	52,695
Capital assets, not being depreciated:				
Land	<u>4,348</u>	<u>-</u>	<u>-</u>	<u>4,348</u>
Total capital assets, not being depreciated	<u>4,348</u>	<u>-</u>	<u>-</u>	<u>4,348</u>
Business-type activities capital assets, net	<u>\$ 56,681</u>	<u>\$ 362</u>	<u>\$ -</u>	<u>\$ 57,043</u>

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

Governmental Activities:	
General government	\$ 127
Public safety	696
Education	2,615
Public works	2,038
Health and human services	160
Culture and recreation	<u>289</u>
Total depreciation expense - governmental activities	<u>\$ 5,925</u>
Business-Type Activities:	
Sewer	\$ 420
Water	1,442
Solid waste	<u>95</u>
Total depreciation expense - business-type activities	<u>\$ 1,957</u>

9. Warrants and Accounts Payable

Warrants payable represent 2013 expenditures paid by July 15, 2013, as permitted by law. Accounts payable represent additional 2013 expenditures paid after July 15, 2013.

10. Anticipation Notes Payable

The Town had the following bond anticipation notes outstanding at June 30, 2013:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/13</u>
High School construction	1.25%	8/16/12	8/16/13	\$ 24,000,000
Water infrastructure improvements	1.25%	8/16/12	8/16/13	<u>3,000,000</u>
Total				<u>\$ 27,000,000</u>

The following summarizes activity in notes payable during fiscal year 2013:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
High School feasibility study	\$ 400,000	\$ -	\$ (400,000)	\$ -
High School construction	2,100,000	-	(2,100,000)	-
High School construction	-	24,000,000	-	24,000,000
Water infrastructure improvements	-	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>
Total	<u>\$ 2,500,000</u>	<u>\$ 27,000,000</u>	<u>\$ (2,500,000)</u>	<u>\$ 27,000,000</u>

11. 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:

	Original	Serial	Interest	Amount
	Issue	Maturities	Rate(s) %	Outstanding
<u>Governmental Activities:</u>		Through		as of
				<u>6/30/13</u>
Building remodeling - school	04/01/04	11/15/23	3.72	\$ 270,000
School project - refunding	04/01/04	11/15/15	2.00 - 5.00	2,075,420
Outdoor recreational facility	03/15/05	03/15/19	3.25 - 5.50	500,000
Outdoor recreational facility	03/15/05	03/15/19	3.25 - 5.50	100,000
School project	03/15/05	03/15/25	3.25 - 5.50	730,000
DPW garage	03/15/05	03/15/25	3.25 - 5.50	159,947
School project	03/15/06	03/15/26	3.75 - 5.00	3,510,000
School project	03/15/06	03/15/26	3.75 - 5.00	390,000
DPW garage	03/15/06	03/15/26	3.75 - 5.00	2,275,000
DPW garage	03/15/06	03/15/24	3.75 - 5.00	420,000
DPW garage	04/01/07	04/07/27	3.45 - 4.125	1,974,269
General obligation	01/03/09	03/01/28	2.00 - 5.00	13,520,000
General obligation - refunding 2002	12/15/11	06/30/23	2.00 - 4.00	342,000
General obligation - refunding 2003	12/15/11	06/30/23	2.00 - 4.00	3,909,000
Building repairs - school	05/02/12	06/30/22	2.00 - 4.00	1,800,000
General obligation - refunding 2004	05/02/12	06/30/22	2.00 - 4.00	1,207,000
General obligation - refunding 2005	05/02/12	06/30/22	2.00 - 4.00	5,754,487
Total Governmental Activities:				<u>\$ 38,937,123</u>

	Original	Serial	Interest	Amount
	Issue	Maturities	Rate(s) %	Outstanding
<u>Business-Type Activities:</u>		Through		as of
				<u>6/30/13</u>
MWPAT Title V	09/28/01	08/01/19	4.50 - 5.75	\$ 11,935
Sewer	04/01/04	11/15/23	3.72	100,000
Water	04/01/04	11/15/23	3.72	210,000
Water treatment facility - refunding	04/01/04	11/15/15	2.00 - 5.00	534,580
Water treatment facility DW-02-12	11/15/04	08/01/24	2.50 - 5.25	3,819,514
Water mains	03/15/05	03/15/25	4.26	140,053
Sewer	03/15/06	03/15/26	3.75 - 5.00	325,000
Water treatment plant	04/01/07	04/01/27	3.45 - 4.125	150,000
Water improvements	04/01/07	04/01/27	3.45 - 4.125	660,732
Water - refunding 2002	12/15/11	06/30/23	2.00 - 4.00	769,000
Sewer - refunding 2002	12/15/11	06/30/23	2.00 - 4.00	385,000
Water - refunding 2004	05/02/12	06/30/22	2.00 - 4.00	670,500
Sewer - refunding 2004	05/02/12	06/30/22	2.00 - 4.00	447,500
Water - refunding 2005	05/02/12	06/30/22	2.00 - 4.00	720,513
Total Business-Type Activities:				<u>\$ 8,944,327</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 4,126,637	\$ 1,467,290	\$ 5,593,927
2015	4,013,158	1,316,127	5,329,285
2016	3,495,062	1,167,269	4,662,331
2017	3,183,812	1,039,504	4,223,316
2018	3,141,350	905,617	4,046,967
2019-2023	14,091,444	2,863,170	16,954,614
2024-2028	<u>6,885,660</u>	<u>629,678</u>	<u>7,515,338</u>
Total	\$ <u>38,937,123</u>	\$ <u>9,388,655</u>	\$ <u>48,325,778</u>

The general funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2013.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 875,388	\$ 357,920	\$ 1,233,308
2015	886,808	321,734	1,208,542
2016	874,475	284,703	1,159,178
2017	715,306	246,305	961,611
2018	712,348	215,354	927,702
2019-2023	3,558,783	623,987	4,182,770
2024-2027	<u>1,321,219</u>	<u>51,798</u>	<u>1,373,017</u>
Total	\$ <u>8,944,327</u>	\$ <u>2,101,801</u>	\$ <u>11,046,128</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/12</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/13</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/13</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 43,066	\$ -	\$ (4,129)	\$ 38,937	\$ (4,127)	\$ 34,810
Other:						
Compensated absences	1,611	101	(6)	1,706	(85)	1,621
Other post-employment benefits	<u>26,572</u>	<u>7,240</u>	<u>(2,009)</u>	<u>31,803</u>	<u>-</u>	<u>31,803</u>
Totals	\$ <u>71,249</u>	\$ <u>7,341</u>	\$ <u>(6,144)</u>	\$ <u>72,446</u>	\$ <u>(4,212)</u>	\$ <u>68,234</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 9,813	\$ -	\$ (868)	\$ 8,945	\$ (875)	\$ 8,070
Other:						
Compensated absences	144	2	(18)	128	(6)	122
Other post-employment benefits	<u>419</u>	<u>114</u>	<u>(28)</u>	<u>505</u>	<u>-</u>	<u>505</u>
Totals	\$ <u>10,376</u>	\$ <u>116</u>	\$ <u>(914)</u>	\$ <u>9,578</u>	\$ <u>(881)</u>	\$ <u>8,697</u>

12. Deferred Inflows of Resources

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

The following is a summary of deferred inflow of resources balances as of June 30, 2013:

	<u>Fund Basis</u>
	<u>Governmental Funds</u>
	<u>General</u>
Deferred Revenue - Property Taxes	\$ 1,094,179
Deferred Revenue - Excises	700,121
Deferred Revenue - User Fees	<u>1,395,459</u>
Total	<u>\$ 3,189,759</u>

13. 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 has 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, 2013:

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 nonmajor governmental fund reserves for the principal portion of permanent trust funds.

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

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority (Town Council). This fund balance classification includes general fund encumbrances for non-lapsing, special

article appropriations approved by Town Council, capital improvement stabilization funds (now reported as part of the general fund per GASB 54), and various special revenue funds.

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

Unassigned – Represents amounts that are available to be spent in future periods. This fund balance classification also includes general and budgetary stabilization funds set aside by Town Council vote for future use (now reported as part of the general fund per GASB 54).

Following is a breakdown of the Town's fund balances at June 30, 2013:

	General Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 503,930	\$ 503,930
Total Nonexpendable	-	-	503,930	503,930
Restricted				
Reserve for excluded debt	222,477	-	-	222,477
Special revenue funds	-	-	7,318,653	7,318,653
Bonded projects	-	-	368,217	368,217
Expendable permanent funds	-	-	3,083,481	3,083,481
Total Restricted	222,477	-	10,770,351	10,992,828
Committed				
Reserved for continuing resolutions	4,361,001	-	-	4,361,001
Capital improvement stabilization funds	1,159,027	-	-	1,159,027
Capital project funds	-	-	142,415	142,415
Expendable insurance reserves	-	-	1,409,083	1,409,083
Total Committed	5,520,028	-	1,551,498	7,071,526
Assigned				
Encumbrances	871,116	-	-	871,116
Total Assigned	871,116	-	-	871,116
Unassigned				
General fund	2,931,526	-	-	2,931,526
General stabilization fund	4,831,767	-	-	4,831,767
Budget stabilization fund	1,003,688	-	-	1,003,688
High School construction fund	-	(14,597,910)	-	(14,597,910)
Special revenue fund deficits	-	-	(550,765)	(550,765)
Total Unassigned	8,766,981	(14,597,910)	(550,765)	(6,381,694)
Total Fund Balance	\$ 15,380,602	\$ (14,597,910)	\$ 12,275,014	\$ 13,057,706

14. Interfund Transfers

The government reports interfund transfers between many of its funds. The sum of all transfers presented in the table below agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2013:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 2,539,376	\$ 355,391
Nonmajor Funds:		
Special Revenue Funds:	-	886,889
Capital Project Funds:	-	-
Expendable Trust Funds:	105,391	-
Subtotal Nonmajor Funds	105,391	886,889
Total Governmental Funds	2,644,767	1,242,280
<u>Business-Type Funds</u>		
Sewer fund	-	675,519
Water fund	-	900,968
Solid waste fund	-	76,000
Subtotal Business-type funds	-	1,652,487 ⁽¹⁾
<u>Fiduciary Funds</u>		
Other post-employment benefits trust	250,000	-
Subtotal Fiduciary Funds	250,000	-
Grand Total	\$ 2,894,767	\$ 2,894,767

⁽¹⁾ Includes \$993,000 of indirect costs and \$659,487 reimbursement to General Fund for debt service costs for the DPW garage/storage building project.

15. 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.

16. Subsequent Events

Subsequent to June 30, 2013, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General obligation bond	\$ <u>48,990,000</u>	4.00-5.00%	8/15/13	8/15/38

17. Commitments and Contingencies

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

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

Abatements - There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to Town Counsel, the probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts, if any, to be immaterial.

18. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

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

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired

employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2013, the actuarial valuation date, approximately 502 retirees and 955 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

Retirees contribute between 32% and 50% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2013 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2013, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2013.

Normal Cost	\$ 4,205,663
Amortization of unfunded actuarially accrued liability	<u>2,968,464</u>
Annual Required Contribution (ARC)	7,174,127
Interest on net OPEB obligation	1,079,634
Adjustment to ARC	<u>(899,695)</u>
Annual OPEB cost	7,354,066
Expected benefit payments (pay as you go)	(1,786,323)
Town contributions to OPEB Trust	<u>(250,000)</u>
Increase in net OPEB obligation	5,317,743
Net OPEB obligation - beginning of year	<u>26,990,856</u>
Net OPEB obligation - end of year	<u><u>\$ 32,308,599</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 7,354,066	24%	\$ 32,308,599
2012	\$ 7,737,626	23%	\$ 26,990,856
2011	\$ 7,289,909	23%	\$ 21,033,657

The Town's net OPEB obligation as of June 30, 2013 is recorded as a long-term liability on the Statement of Net Position.

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 89,053,917
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 89,053,917</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 53,065,851</u>
UAAL as a percentage of covered payroll	<u>167.8%</u>

In fiscal year 2012, the Town established an Other Post-Employment Benefits Trust Fund to accumulate resources to fund future post-employment liabilities. Because of the timing of the Town's contributions, the June 30, 2013 assets of this trust, which are reported in the fiduciary funds Statement of Fiduciary Net Position, are not included in the actuarial results reported in the actuarial valuation as of June 30, 2013.

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

F. Actuarial Methods and Assumptions

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

In the June 30, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was zero. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 7.5% which decreases to a 4.5% long-term rate for all healthcare benefits after eight years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.0%.

19. Pension Plan

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

A. Plan Description

The Town contributes to the Norfolk Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the Norfolk Retirement System at 480 Neponset Street, Canton, Massachusetts 02021.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System

for the years ended June 30, 2013, 2012, and 2011 were \$3,506,741, \$3,341,223, and \$3,558,923, respectively, which were equal to its annual required contributions for each of these years.

C. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

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

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

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

The Town's current year covered payroll for teachers and administrators was unknown.

In fiscal year 2013, the Commonwealth of Massachusetts contributed \$8,400,529 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

20. 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 Town 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.

21. Beginning Net Position Restatement

The beginning (July 1, 2012) net position of the Town has been restated as follows:

Government-Wide Financial Statements:

	<u>Business-Type Activities</u>				
	<u>Governmental Activities</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
As previously reported	\$ 109,899,995	\$ 14,816,330	\$ 41,009,235	\$ 1,179,433	\$ 166,904,993
Reclassify OPEB liability	<u>419,171</u>	<u>(154,566)</u>	<u>(264,605)</u>	<u>-</u>	<u>-</u>
As restated	<u>\$ 110,319,166</u>	<u>\$ 14,661,764</u>	<u>\$ 40,744,630</u>	<u>\$ 1,179,433</u>	<u>\$ 166,904,993</u>

22. Implementation of New GASB Standards

The GASB has issued Statement No. 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015.

Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by requiring the Town to recognize, as a liability and expense, the Town's applicable portion of the Norfolk County Retirement System's unfunded actuarially accrued liability.

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

June 30, 2013

(Unaudited)

Other Post-Employment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/13	\$ -	\$ 89,053,917	\$ 89,053,917	0.0%	\$ 53,065,851	167.8%
06/30/11	\$ -	\$ 84,749,415	\$ 84,749,415	0.0%	\$ 52,999,681	159.9%
06/30/09	\$ -	\$ 79,942,606	\$ 79,942,606	0.0%	\$ 53,737,744	148.8%
06/30/07	\$ -	\$ 116,638,532	\$ 116,638,532	0.0%	N/A	N/A

**NORFOLK COUNTY RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)**

Employees' Retirement System Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/12	\$ 608,235,096	\$ 1,128,960,288	\$ 520,725,192	53.9%	\$ 229,095,409	227.3%
01/01/10	\$ 600,790,835	\$ 1,001,881,055	\$ 401,090,220	60.0%	\$ 223,332,595	179.6%
01/01/08	\$ 596,157,147	\$ 907,719,124	\$ 311,561,977	65.7%	\$ 223,814,977	139.2%

Employees' Retirement System Schedule of Employer Contributions					
System Wide				Town of Franklin, MA	
Plan Year Ended	Annual Required Contributions	Actual Contributions	Percentage Contributed	Actual Contributions	Town Contributions as a % of Actual Contributions
12/31/12	\$ 42,714,639	\$ 42,233,012	98.9%	\$ 3,506,741	8.3%
12/31/11	\$ 41,206,587	\$ 40,292,661	97.8%	\$ 3,341,223	8.3%
12/31/10	\$ 42,794,150	\$ 39,083,814	91.3%	\$ 3,558,923	9.1%

See Independent Auditors' Report.



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(Date of Delivery)

Mr. James P. Dacey, Treasurer
Town of Franklin
Franklin, Massachusetts

\$6,920,000
Town of Franklin, Massachusetts
General Obligation Refunding Bonds
Dated February 25, 2015

We have acted as bond counsel to the Town of Franklin, Massachusetts (the "Town") in connection with the issuance by the Town of the above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of

1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

LOCKE LORD LLP

AM 45588869.1

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Franklin, Massachusetts (the “Issuer”) in connection with the issuance of its \$6,920,000 General Obligation Refunding Bonds dated February 25, 2015 (the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated February __, 2015 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth (except for the omission, if any, of a statement of fixed assets). If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.
 8. Bond calls, if material, and tender offers.
 9. Defeasances.
 10. Release, substitution or sale of property securing repayment of the Bonds, if material.
 11. Rating changes.
 12. Bankruptcy, insolvency, receivership or similar event of the Issuer.*
 13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
 14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: February __, 2015

TOWN OF FRANKLIN,
MASSACHUSETTS

By _____
Treasurer

Town Manager

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]

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