

Jamie Hellen, Town Administrator
Town of Franklin
355 East Central Street
Franklin, Massachusetts 02038-1352

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

Dear Mr. Hellen:

We have audited the financial statements of the Town of Franklin, Massachusetts as of and for the year ended June 30, 2019, and have issued our report thereon dated March 24, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Town solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our firm have complied with all relevant ethical requirements regarding independence. Safeguards that have been applied to eliminate threats to independence or reduce them to an acceptable level include annual certification by all firm staff of independence, or when circumstances changes during the year.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Town is included in the notes to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Estimated lives and depreciation methods for depreciable assets.
- Collectability of receivables.
- Accrued interest on long-term debt.
- Net pension liability.
- Net OPEB liability.
- Estimated liability for potential tax refunds.
- Fair value of investments.

Management's estimate of the above are based on various criteria. We evaluated the key factors and assumptions used to develop these estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. We noted no particularly sensitive disclosures affecting the Town's financial statements.

Identified or Suspected Fraud

We have not identified or have obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

As an added service to the Town, we assisted in compiling the government-wide financial statements, including consolidating various funds into governmental activities, converting to the accrual basis of accounting, and recording all long-term assets, long-term liabilities, and net position classifications. This consolidation and conversion process was based on information from the Town's accounting records.

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are material, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material misstatements that we identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Town's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in their letter dated March 24, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Town, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Town's auditors.

This report is intended solely for the information and use of the governing body and management of the Town and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Melanson Heath

March 24, 2020

TOWN OF FRANKLIN, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2019

Town of Franklin, Massachusetts

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Franklin, Massachusetts

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Franklin, Massachusetts, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Franklin, Massachusetts, as of June 30, 2019, 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 certain Pension and OPEB schedules 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 March 24, 2020 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 solely

to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Melanson Heath

March 24, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Franklin (the Town) we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019.

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, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, 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 fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$145,617,581 (i.e., net position), a change of \$(1,423,094) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$33,335,280, a change of \$12,381,195 in comparison to the prior year. This change is primarily due to activity associated with the ongoing library construction project.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,721,576, a change of \$(184,233) 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.

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 37,324	\$ 35,450	\$ 11,938	\$ 13,066	\$ 49,262	\$ 48,516
Noncurrent assets	237,256	243,102	63,008	61,280	300,264	304,382
Total assets	274,580	278,552	74,946	74,346	349,526	352,898
Deferred outflows of resources	9,952	5,949	80	47	10,032	5,996
Current liabilities	7,488	17,858	3,813	2,599	11,301	20,457
Noncurrent liabilities	179,064	171,649	13,592	15,386	192,656	187,035
Total liabilities	186,552	189,507	17,405	17,985	203,957	207,492
Deferred inflows of resources	9,904	4,328	80	34	9,984	4,362
Net investment in capital assets	170,475	173,205	49,398	48,603	* 219,873	221,808
Restricted	13,501	12,034	-	-	13,501	12,034
Unrestricted	(95,900)	(94,573)	8,143	7,771	* (87,757)	(86,802)
Total net position	\$ 88,076	\$ 90,666	\$ 57,541	\$ 56,374	\$ 145,617	\$ 147,040

*As reclassified.

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 \$145,617,581, a change of \$(1,423,094) in comparison to the prior year.

The largest portion of net position \$219,872,862 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$13,501,868 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(87,757,149) primarily resulting from unfunded pension and OPEB liabilities (see Notes 16 and 18).

	<u>CHANGES IN NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 9,685	\$ 8,613	\$ 14,780	\$ 13,966	\$ 24,465	\$ 22,579
Operating grants and contributions	50,272	48,553	-	-	50,272	48,553
General revenues:						
Property taxes	76,989	73,647	-	-	76,989	73,647
Excises	6,136	6,095	-	-	6,136	6,095
Penalties, interest, and other taxes	347	317	-	-	347	317
Grants and contributions not restricted to specific programs	4,435	6,588	-	-	4,435	6,588
Investment income	924	66	27	24	951	90
Miscellaneous	201	320	24	443	225	763
Betterment revenue	-	-	22	-	22	-
Total revenues	148,989	144,199	14,853	14,433	163,842	158,632

(continued)

(continued)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Expenses:						
General government	14,276	11,415	-	-	14,276	11,415
Public safety	14,953	14,909	-	-	14,953	14,909
Education	103,431	101,264	-	-	103,431	101,264
Public works	7,387	8,140	-	-	7,387	8,140
Human services	1,223	1,247	-	-	1,223	1,247
Culture and recreation	2,662	1,875	-	-	2,662	1,875
Interest on long-term debt	2,669	2,616	-	-	2,669	2,616
Intergovernmental	4,978	4,747	-	-	4,978	4,747
Sewer	-	-	5,686	6,031	5,686	6,031
Water	-	-	5,747	5,170	5,747	5,170
Sanitation	-	-	2,253	2,199	2,253	2,199
Total expenses	<u>151,579</u>	<u>146,213</u>	<u>13,686</u>	<u>13,400</u>	<u>165,265</u>	<u>159,613</u>
Change in net position before transfers	(2,590)	(2,014)	1,167	1,033	(1,423)	(981)
Transfers in (out)	-	1,567	-	(1,567)	-	-
Change in net position	(2,590)	(447)	1,167	(534)	(1,423)	(981)
Net position - beginning of year	<u>90,666</u>	<u>91,113</u>	<u>56,374</u>	<u>56,908</u>	<u>147,040</u>	<u>148,021</u>
Net position - end of year	<u>\$ 88,076</u>	<u>\$ 90,666</u>	<u>\$ 57,541</u>	<u>\$ 56,374</u>	<u>\$ 145,617</u>	<u>\$ 147,040</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(2,590,197). Key elements of this change are as follows:

General fund operations	\$ 1,087,205
Capital improvements	3,702,272
Depreciation expense in excess of principal debt service	(5,609,519)
Change in compensated absence liability	458,161
Change in net pension liability and related deferred outflows and inflows of resources	(2,723,029)
Change in net OPEB liability and related deferred outflows and inflows of resources	(825,811)
Change in school revolving funds	570,367
Change in Circuit Breaker fund	367,391
Other	382,766
Total	<u>\$ (2,590,197)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$1,167,103. Key elements of this change are as follows:

Sewer operations	\$ 323,718
Water operations	1,110,210
Solid waste operations	<u>(266,825)</u>
Total	<u>\$ 1,167,103</u>

D. FINANCIAL ANALYSIS OF 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 \$33,335,280, a change of \$12,381,195 in comparison to the prior year. Key elements of this change are as follows:

General fund change in fund balance (explained in more detail below)	\$ 1,087,205
Nonmajor funds change in fund balance:	
Issuance of library bonds	9,150,000
Change in school revolving funds	570,367
Change in Circuit Breaker fund	367,391
Other	<u>1,206,232</u>
Total	<u>\$ 12,381,195</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 \$11,721,576, while total fund balance was \$18,415,656. 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>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance ⁽¹⁾	\$ 11,721,576	\$ 11,905,809	\$ (184,233)	9.1%
Total fund balance	\$ 18,415,656	\$ 17,328,451	\$ 1,087,205	14.3%

⁽¹⁾ Includes \$6,209,868 in general stabilization and \$392,705 in budget stabilization funds.

Unassigned fund balance is essentially unchanged from the prior year as our favorable budgetary results (page 20) offset the free cash utilized by Town Council vote. The total fund balance of the general fund changed by \$1,087,205 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 2,072,961
Expenditures and encumbrances less than budget	1,339,303
Use of free cash as a funding source	(3,726,881)
Property tax collections exceeding the current year tax levy	288,117
Change in stabilization fund balance	(39,105)
Increase in carryforward of unspent capital resolutions	1,019,938
Other	<u>132,872</u>
Total	<u>\$ 1,087,205</u>

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

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>
General stabilization	\$ 6,209,868	\$ 5,025,672	\$ 1,184,196
Budget stabilization	392,705	1,864,846	(1,472,141)
Athletic fields stabilization	302,065	157,894	144,171
Fire truck stabilization	207,612	105,386	102,226
Property acquisition stabilization	267,228	262,902	4,326
Traffic signal stabilization	<u>4,644</u>	<u>6,527</u>	<u>(1,883)</u>
Total	<u>\$ 7,384,122</u>	<u>\$ 7,423,227</u>	<u>\$ (39,105)</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 \$8,143,342, a change of \$372,454 in comparison to the prior year, as reclassified. The increase primarily results from unspent capital resolutions in the water fund.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$8,553,615. Major reasons for this change include:

\$ 2,994,447	appropriated for various capital items; funded by free cash.
130,000	appropriated to fund stabilization funds; funded by free cash.
370,000	appropriated for continued funding of the OPEB Trust; funded by free cash.
100,000	appropriated for various wages; funded by free cash.
100,000	appropriated to fund the street light project capital project fund; funded by free cash.
27,500	appropriated for settlement of a pending litigation; funded by free cash.
4,934	appropriated for Norfolk County Agricultural High School; funded by free cash.
330,020	prior year encumbrances
<u>4,496,714</u>	prior year article carryforwards
<u>\$ 8,553,615</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 \$299,593,237 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year include the following:

- \$1,272,870 for various machinery and equipment.
- \$834,917 for various buildings and improvements.
- \$1,737,186 for various road improvements.
- \$3,916,357 for sewer and water system improvements.
- Depreciation expense of \$(11,904,618).

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 credit rating remained unchanged at AA+.

Long-term debt. At the end of the current fiscal year, total bonds and loans outstanding was \$79,844,806, all of which was backed by the full faith and credit of the Town.

Additional information on long-term debt can be found in the Notes to 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 ten fiscal years (in thousands):

<u>As of</u> <u>June 30</u>	<u>Stabilization</u> <u>Fund Balance</u>	<u>Budget</u> <u>Stabilization</u>	<u>Debt</u> <u>Stabilization</u>	<u>Public Works</u> <u>Stabilization</u>	<u>Other</u> <u>Stabilization</u>	<u>Total</u> <u>Stabilization</u>
2019	\$ 6,210	\$ 393	\$ -	\$ -	\$ 782	\$ 7,385
2018	\$ 5,026	\$ 1,865	\$ -	\$ -	\$ 532	\$ 7,423
2017	\$ 5,098	\$ 1,364	\$ -	\$ -	\$ 275	\$ 6,737
2016	\$ 5,104	\$ 1,343	\$ -	\$ -	\$ 1,614	\$ 8,061
2015	\$ 4,915	\$ 1,324	\$ -	\$ 277	\$ 1,295	\$ 7,811
2014	\$ 4,895	\$ 1,312	\$ -	\$ 277	\$ 1,646	\$ 8,130
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

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:

Finance Director's Office
355 East Central Street
Franklin, Massachusetts 02038

TOWN OF FRANKLIN, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Current:			
Cash and short-term investments	\$ 19,137,124	\$ 8,667,102	\$ 27,804,226
Investments	13,342,666	-	13,342,666
Receivables, net of allowance for uncollectibles:			
Property taxes	547,541	-	547,541
Excises	365,135	-	365,135
User fees	785,824	3,254,396	4,040,220
Intergovernmental	3,144,677	-	3,144,677
Betterments	1,297	16,006	17,303
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	587,445	-	587,445
Betterments	3,888	79,581	83,469
Capital assets:			
Land and construction in progress	18,719,170	4,135,553	22,854,723
Other capital assets, net of accumulated depreciation	217,945,047	58,793,467	276,738,514
Deferred Outflows of Resources			
Related to pensions	<u>9,951,913</u>	<u>80,259</u>	<u>10,032,172</u>
Total Assets and Deferred Outflows of Resources	284,531,727	75,026,364	359,558,091
Liabilities			
Current:			
Warrants and accounts payable	943,183	783,009	1,726,192
Accrued liabilities	1,238,112	149,223	1,387,335
Notes payable	-	1,100,000	1,100,000
Tax refunds payable	90,000	-	90,000
Other current liabilities	976,002	-	976,002
Current portion of long-term liabilities:			
Bonds and loans payable	4,161,883	1,775,650	5,937,533
Other	78,332	5,173	83,505
Noncurrent:			
Bonds and loans payable, net of current portion	61,350,888	12,556,385	73,907,273
Net pension liability	48,218,165	388,856	48,607,021
Net OPEB liability	68,006,431	548,439	68,554,870
Other, net of current portion	1,488,308	98,306	1,586,614
Deferred Inflows of Resources			
Related to pensions	1,542,878	12,443	1,555,321
Related to OPEB	8,361,177	67,429	8,428,606
Other	<u>238</u>	<u>-</u>	<u>238</u>
Total Liabilities and Deferred Inflows of Resources	196,455,597	17,484,913	213,940,510
Net Position			
Net investment in capital assets	170,474,753	49,398,109	219,872,862
Restricted for:			
Grants and other statutory restrictions	10,151,782	-	10,151,782
Permanent funds:			
Nonexpendable	503,930	-	503,930
Expendable	2,846,156	-	2,846,156
Unrestricted	<u>(95,900,491)</u>	<u>8,143,342</u>	<u>(87,757,149)</u>
Total Net Position	\$ <u>88,076,130</u>	\$ <u>57,541,451</u>	\$ <u>145,617,581</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, 2019

	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental Activities				
General government	\$ 14,274,658	\$ 1,418,691	\$ (11,921,533)	\$ (11,921,533)
Public safety	14,953,044	360,407	(11,307,266)	(11,307,266)
Education	103,431,502	47,182,372	(51,779,403)	(51,779,403)
Public works	7,387,506	822,734	(6,345,328)	(6,345,328)
Health and human services	1,223,026	210,386	(782,921)	(782,921)
Culture and recreation	2,661,813	276,963	(1,838,766)	(1,838,766)
Interest	2,669,607	-	(2,669,607)	(2,669,607)
Intergovernmental	4,977,732	-	(4,977,732)	(4,977,732)
Total Governmental Activities	151,578,888	50,271,553	(91,622,556)	(91,622,556)
Business-Type Activities				
Sewer services	5,687,192	-	-	290,451
Water services	5,746,437	-	-	1,090,563
Sanitation services	2,253,027	-	-	(287,197)
Total Business-Type Activities	13,686,656	-	-	1,093,817
Total	\$ 165,265,544	\$ 50,271,553	(91,622,556)	(90,528,739)
General Revenues				
Property taxes			76,988,809	76,988,809
Excises			6,136,496	6,136,496
Penalties, interest and other taxes			347,089	347,089
Grants and contributions not restricted to specific programs			4,435,017	4,435,017
Investment income			923,757	951,332
Miscellaneous			201,191	224,711
Betterment revenue			-	22,191
Total general revenues			89,032,359	89,105,645
Change in Net Position			(2,590,197)	(1,423,094)
Net Position				
Beginning of year			90,666,327	147,040,675
End of year			\$ 88,076,130	\$ 145,617,581

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

TOWN OF FRANKLIN, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and short-term investments	\$ 8,693,858	\$ 10,443,266	\$ 19,137,124
Investments	9,616,170	3,726,496	13,342,666
Receivables:			
Property taxes	1,382,740	-	1,382,740
Excises	753,744	-	753,744
Special assessments	125	-	125
User fees	1,122,604	-	1,122,604
Intergovernmental	<u>2,200,009</u>	<u>944,668</u>	<u>3,144,677</u>
Total Assets	<u>\$ 23,769,250</u>	<u>\$ 15,114,430</u>	<u>\$ 38,883,680</u>
Liabilities			
Warrants and accounts payable	\$ 858,265	\$ 84,281	\$ 942,546
Accrued liabilities	452,894	636	453,530
Tax refunds payable	90,000	-	90,000
Other liabilities	<u>866,113</u>	<u>109,889</u>	<u>976,002</u>
Total Liabilities	2,267,272	194,806	2,462,078
Deferred Inflows of Resources			
Unavailable revenues	3,086,322	-	3,086,322
Fund Balances			
Nonspendable	-	503,930	503,930
Restricted	65,855	13,263,789	13,329,644
Committed	5,981,136	1,386,440	7,367,576
Assigned	647,089	-	647,089
Unassigned	<u>11,721,576</u>	<u>(234,535)</u>	<u>11,487,041</u>
Total Fund Balances	<u>18,415,656</u>	<u>14,919,624</u>	<u>33,335,280</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 23,769,250</u>	<u>\$ 15,114,430</u>	<u>\$ 38,883,680</u>

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, 2019

Total governmental fund balances		\$ 33,335,280
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		236,664,217
• Long-term receivable not reported in governmental funds.		5,060
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.		2,112,940
• Long-term liabilities, including bonds payable, net pension liability, net OPEB liability, and accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable		(65,512,771)
Net pension liability and related deferred outflows and inflows of resources		(39,809,130)
Net OPEB liability and related deferred inflows of resources		(76,367,608)
Other		(1,566,640)
• Other		<u>(785,218)</u>
Net position of governmental activities		<u>\$ 88,076,130</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, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 76,949,219	\$ -	\$ 76,949,219
Excises	6,229,825	-	6,229,825
Penalties, interest and other taxes	320,843	640	321,483
Special assessments	2,140	-	2,140
Charges for services	2,800,551	4,852,452	7,653,003
Licenses and permits	1,879,183	-	1,879,183
Intergovernmental	39,477,305	7,212,384	46,689,689
Fines and forfeitures	103,314	3,985	107,299
Contributions	-	372,087	372,087
Investment income	716,832	206,923	923,755
Miscellaneous	1,052,324	488,269	1,540,593
Total Revenues	<u>129,531,536</u>	<u>13,136,740</u>	<u>142,668,276</u>
Expenditures			
Current:			
General government	11,102,408	1,114,016	12,216,424
Public safety	11,948,051	222,176	12,170,227
Education	73,126,617	8,572,177	81,698,794
Public works	4,986,519	143,360	5,129,879
Health and human services	603,952	310,307	914,259
Culture and recreation	1,401,528	213,927	1,615,455
Insurance and benefits	10,785,900	17,520	10,803,420
Debt service	6,652,998	-	6,652,998
Intergovernmental	4,977,732	-	4,977,732
Capital outlay	2,854,478	1,301,071	4,155,549
Total Expenditures	<u>128,440,183</u>	<u>11,894,554</u>	<u>140,334,737</u>
Excess of revenues over expenditures	1,091,353	1,242,186	2,333,539
Other Financing Sources (Uses)			
Issuance of bonds	-	9,150,000	9,150,000
Bond premiums	2,656	895,000	897,656
Transfers in	241,096	247,900	488,996
Transfers out	(247,900)	(241,096)	(488,996)
Total Other Financing Sources (Uses)	<u>(4,148)</u>	<u>10,051,804</u>	<u>10,047,656</u>
Change in fund balance	1,087,205	11,293,990	12,381,195
Fund Balance, at Beginning of Year as reclassified	17,328,451	3,625,634	20,954,085
Fund Balance, at End of Year	<u>\$ 18,415,656</u>	<u>\$ 14,919,624</u>	<u>\$ 33,335,280</u>

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, 2019

Net changes in fund balances - total governmental funds	\$ 12,381,195																						
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital outlay</td> <td style="text-align: right;">3,702,272</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(9,578,019)</td> </tr> </table> The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(9,150,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">3,968,500</td> </tr> <tr> <td>Additions to bond premium</td> <td style="text-align: right;">(897,656)</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">6,886</td> </tr> </table> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table> <tr> <td></td> <td style="text-align: right;">185,030</td> </tr> </table> Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: <table> <tr> <td>Net pension liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">(825,811)</td> </tr> <tr> <td>Net OPEB liability and related deferred inflows of resources</td> <td style="text-align: right;">(2,723,029)</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">458,161</td> </tr> </table> Other differences <table> <tr> <td></td> <td style="text-align: right;"><u>(117,726)</u></td> </tr> </table> 		Capital outlay	3,702,272	Depreciation	(9,578,019)	Issuance of debt	(9,150,000)	Repayments of debt	3,968,500	Additions to bond premium	(897,656)	Amortization of bond premium	6,886		185,030	Net pension liability and related deferred outflows and inflows of resources	(825,811)	Net OPEB liability and related deferred inflows of resources	(2,723,029)	Other	458,161		<u>(117,726)</u>
Capital outlay	3,702,272																						
Depreciation	(9,578,019)																						
Issuance of debt	(9,150,000)																						
Repayments of debt	3,968,500																						
Additions to bond premium	(897,656)																						
Amortization of bond premium	6,886																						
	185,030																						
Net pension liability and related deferred outflows and inflows of resources	(825,811)																						
Net OPEB liability and related deferred inflows of resources	(2,723,029)																						
Other	458,161																						
	<u>(117,726)</u>																						
Change in net position of governmental activities	\$ <u>(2,590,197)</u>																						

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, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 76,661,101	\$ 76,661,101	\$ 76,661,101	\$ -
Motor vehicle excise	4,469,160	4,469,160	5,076,571	607,411
Other excise	1,065,090	1,065,090	1,153,254	88,164
Penalties, interest and other taxes	317,723	317,723	322,983	5,260
Charges for services	2,736,564	2,736,564	2,800,551	63,987
Licenses and permits	1,330,463	1,330,463	1,879,183	548,720
Intergovernmental	31,736,248	31,736,248	31,911,210	174,962
Fines and forfeitures	99,000	99,000	103,314	4,314
Investment income	151,000	151,000	384,819	233,819
Miscellaneous	706,000	706,000	1,052,324	346,324
Total Revenues	119,272,349	119,272,349	121,345,310	2,072,961
Expenditures				
General government	10,283,413	11,644,225	11,559,219	85,006
Public safety	12,112,831	12,049,977	11,959,572	90,405
Education	65,560,930	65,680,930	65,656,671	24,259
Public works	5,403,386	5,467,835	5,276,692	191,143
Health and human services	663,500	665,304	605,167	60,137
Culture and recreation	1,599,450	1,600,120	1,408,248	191,872
Employee benefits	11,693,882	11,689,788	11,056,923	632,865
Debt service	6,843,101	6,843,101	6,792,998	50,103
Intergovernmental	4,951,856	4,951,856	4,977,732	(25,876)
Capital outlay	2,750,000	9,822,828	9,783,439	39,389
Total Expenditures	121,862,349	130,415,964	129,076,661	1,339,303
Excess (deficiency) of revenues over expenditures	(2,590,000)	(11,143,615)	(7,731,351)	3,412,264
Other Financing Sources				
Transfers in	2,590,000	2,590,000	2,720,215	130,215
Use of free cash	-	3,726,881	3,726,881	-
Use of prior year committed fund balance (carryforwards)	-	4,496,714	4,496,714	-
Use of prior year assigned fund balance (encumbrances)	-	330,020	330,020	-
Bond premium	-	-	2,656	2,656
Total Other Financing Sources	2,590,000	11,143,615	11,276,486	132,871
Excess of revenues and other financing sources over expenditures	\$ -	\$ -	\$ 3,545,135	\$ 3,545,135

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

TOWN OF FRANKLIN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2019

	Business-Type Activities Enterprise Funds			Total
	Sewer Fund	Water Fund	Nonmajor Solid Waste Fund	
Assets				
Current:				
Cash and short-term investments	\$ 2,415,292	\$ 5,797,050	\$ 454,760	\$ 8,667,102
Receivables, net of allowance for uncollectibles:				
User fees	1,442,974	1,619,352	192,070	3,254,396
Betterments	16,006	-	-	16,006
Total current assets	3,874,272	7,416,402	646,830	11,937,504
Noncurrent:				
Receivables, net of allowance for uncollectibles:				
Betterments	79,581	-	-	79,581
Capital assets:				
Land and construction in progress	466,751	3,621,871	46,931	4,135,553
Other capital assets, net of accumulated depreciation	10,629,342	48,124,225	39,900	58,793,467
Total noncurrent assets	11,175,674	51,746,096	86,831	63,008,601
Deferred Outflows of Resources				
Related to pensions	20,065	60,194	-	80,259
Totals Assets and Deferred Outflows of Resources	15,070,011	59,222,692	733,661	75,026,364
Liabilities				
Current:				
Warrants and accounts payable	26,944	606,632	149,433	783,009
Accrued liabilities	29,246	118,643	1,334	149,223
Notes payable	-	1,100,000	-	1,100,000
Current portion of long-term liabilities:				
Bonds and loans payable	290,696	1,484,954	-	1,775,650
Other	1,787	3,174	212	5,173
Total current liabilities	348,673	3,313,403	150,979	3,813,055
Noncurrent:				
Bonds and loans payable, net of current portion	1,405,000	11,151,385	-	12,556,385
Net pension liability	97,214	291,642	-	388,856
Net OPEB liability	137,110	411,329	-	548,439
Other, net of current portion	33,953	60,316	4,037	98,306
Total noncurrent liabilities	1,673,277	11,914,672	4,037	13,591,986
Deferred Inflows of Resources				
Related to pensions	3,111	9,332	-	12,443
Related to OPEB	16,857	50,572	-	67,429
Total Liabilities and Deferred Inflows of Resources	2,041,918	15,287,979	155,016	17,484,913
Net Position				
Net investment in capital assets	9,400,397	39,910,881	86,831	49,398,109
Unrestricted	3,627,696	4,023,832	491,814	8,143,342
Total Net Position	\$ 13,028,093	\$ 43,934,713	\$ 578,645	\$ 57,541,451

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, 2019

	Business-Type Activities Enterprise Funds			Total
	Sewer Fund	Water Fund	Nonmajor Solid Waste Fund	
Operating Revenues				
Charges for services	\$ 5,977,643	\$ 6,837,000	\$ 1,965,830	\$ 14,780,473
Total Operating Revenues	5,977,643	6,837,000	1,965,830	14,780,473
Operating Expenses				
Salaries and benefits	1,086,932	1,781,700	167,341	3,035,973
Other operating expenses	437,445	1,660,346	2,005,886	4,103,677
Depreciation	447,688	1,799,111	79,800	2,326,599
Intergovernmental assessments	3,645,250	-	-	3,645,250
Total Operating Expenses	5,617,315	5,241,157	2,253,027	13,111,499
Operating Income (Loss)	360,328	1,595,843	(287,197)	1,668,974
Nonoperating Revenues (Expenses)				
Investment income	11,076	14,175	2,324	27,575
Miscellaneous revenues	-	5,472	18,048	23,520
Betterment revenue	22,191	-	-	22,191
Interest expense	(69,877)	(505,280)	-	(575,157)
Total Nonoperating Revenues (Expenses)	(36,610)	(485,633)	20,372	(501,871)
Change in Net Position	323,718	1,110,210	(266,825)	1,167,103
Net Position at Beginning of Year	12,704,375	42,824,503	845,470	56,374,348
Net Position at End of Year	\$ 13,028,093	\$ 43,934,713	\$ 578,645	\$ 57,541,451

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, 2019

	Business-Type Activities Enterprise Funds			Total
	Sewer Fund	Water Fund	Nonmajor Solid Waste Fund	
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 6,085,802	\$ 7,303,339	\$ 1,960,621	\$ 15,349,762
Payments to vendors	(1,109,413)	(1,765,467)	(2,063,380)	(4,938,260)
Payments to employees	(4,110,343)	(1,436,613)	(168,574)	(5,715,530)
Net Cash Provided By (Used For) Operating Activities	866,046	4,101,259	(271,333)	4,695,972
Cash Flows From Noncapital Financing Activities				
Miscellaneous revenues	-	5,472	18,048	23,520
Net Cash Provided By Noncapital Financing Activities	-	5,472	18,048	23,520
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(375,342)	(3,683,716)	-	(4,059,058)
Principal payments on bonds and loans	(291,696)	(1,492,873)	-	(1,784,569)
Proceeds of bonds	-	1,100,000	-	1,100,000
Interest expense	(72,281)	(515,990)	-	(588,271)
Other non-operating income	25,933	-	-	25,933
Net Cash (Used For) Capital and Related Financing Activities	(713,386)	(4,592,579)	-	(5,305,965)
Cash Flows From Investing Activities				
Investment income	11,074	14,174	2,323	27,571
Net Change in Cash and Short-Term Investments	163,734	(471,674)	(250,962)	(558,902)
Cash and Short-Term Investments, Beginning of Year	2,251,558	6,268,724	705,722	9,226,004
Cash and Short-Term Investments, End of Year	\$ 2,415,292	\$ 5,797,050	\$ 454,760	\$ 8,667,102
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities				
Operating income (loss)	\$ 360,328	\$ 1,595,843	\$ (287,197)	\$ 1,668,974
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	447,688	1,799,111	79,800	2,326,599
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees receivable	108,158	466,340	(5,209)	569,289
Deferred outflows - related to pensions	(6,913)	(26,007)	-	(32,920)
Warrants and accounts payable	(27,648)	223,733	(57,494)	138,591
Net pension liability	6,799	56,632	-	63,431
Net OPEB liability	(10,787)	(32,361)	-	(43,148)
Deferred inflows - related to pensions	(5,812)	(13,860)	-	(19,672)
Deferred inflows - related to OPEB	16,277	48,831	-	65,108
Other liabilities	(22,044)	(17,003)	(1,233)	(40,280)
Net Cash Provided By (Used For) Operating Activities	\$ 866,046	\$ 4,101,259	\$ (271,333)	\$ 4,695,972

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

TOWN OF FRANKLIN, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2019

	Other Post Employment Benefits Trust <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
Assets			
Cash and short-term investments	\$ -	\$ 10,950	\$ 831,161
Investments:			
U.S. Treasury notes	-	56,705	-
Federal agency securities	-	361	-
Corporate bonds	-	34,899	-
External investment pool	<u>5,706,986</u>	<u>-</u>	<u>-</u>
Total Investments	5,706,986	91,965	-
Departmental receivable	-	-	93,701
Other assets	<u>-</u>	<u>-</u>	<u>1,119,533</u>
Total Assets	5,706,986	102,915	2,044,395
 Liabilities			
Warrants payable	-	-	3,316
Accrued liabilities	-	-	8,094
Other liabilities	<u>-</u>	<u>-</u>	<u>2,032,985</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 2,044,395</u>
 Net Position			
Restricted for OPEB purposes	5,706,986	-	
Restricted for other purposes	<u>-</u>	<u>102,915</u>	
Total Net Position	<u>\$ 5,706,986</u>	<u>\$ 102,915</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, 2019

	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds
Additions		
Contributions:		
Employers	\$ 3,350,121	\$ -
Other	<u>-</u>	<u>19,737</u>
Total contributions	3,350,121	19,737
Investment income:		
Interest	-	1,238
Increase in fair value of investments	<u>276,301</u>	<u>-</u>
Net investment income	<u>276,301</u>	<u>1,238</u>
Total additions	3,626,422	20,975
Deductions		
Benefit payments to plan members beneficiaries and other systems	2,408,121	-
Scholarship payments	<u>-</u>	<u>35,900</u>
Total deductions	<u>2,408,121</u>	<u>35,900</u>
Net increase (decrease)	1,218,301	(14,925)
Net position restricted for other purposes		
Beginning of year	<u>4,488,685</u>	<u>117,840</u>
End of year	<u>\$ 5,706,986</u>	<u>\$ 102,915</u>

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

TOWN OF FRANKLIN, MASSACHUSETTS

Notes to 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 2019, it was determined that no entities met the required GASB 14 (as amended) 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 inter-fund 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 governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension 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 proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

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

The Town reports the following major proprietary funds:

- Sewer Fund
- Water Fund

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

The Town reports the following fiduciary funds:

- The *other post-employment benefit trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- 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.
- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type 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 stabilization funds and trust funds consist of bank certificates of deposit, U.S. Treasury notes and agencies, corporate bonds, and mutual funds. Investments are carried at fair value except certificates of deposit which are reported at cost.

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% (excluding new growth), unless an override is voted. The actual fiscal year 2019 tax levy reflected an excess capacity of \$28,825.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the 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 acquisition 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 the current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, 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 and proprietary funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

The budgetary data for the general 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</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Revenues/expenditures/other financing sources/(uses) (GAAP Basis)	\$ 129,531,536	\$ 128,440,183	\$ (4,148)
Adjust tax revenue to accrual basis	(288,117)	-	-
Add end-of-year appropriation carryforwards to expenditures	-	5,846,672	-
Record use of free cash	-	-	3,726,881
To record use of PY committed fund balance (carryforwards)	-	-	4,496,714
To record use of PY assigned fund balance (encumbrances)	-	-	330,020
To reverse MTRS on behalf payment	(7,566,095)	(7,566,095)	-
Reclassification of indirect costs	-	1,103,000	1,103,000
Reclassification of transfers out	-	1,252,901	1,252,901
Reverse effect of combining stabilization funds with general fund per GASB 54	(332,014)	-	371,118
Budgetary Basis	<u>\$ 121,345,310</u>	<u>\$ 129,076,661</u>	<u>\$ 11,276,486</u>

D. Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2019.

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and grant revenues.

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 60% 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, 2019, \$13,709,937 of the Town's bank balance of \$30,726,993 was exposed to custodial credit risk as uninsured and/or uncollateralized. These funds are primarily held in four highly rated banks according to the Veribanc Report. All of the banks are rated GREEN/**.*

4. Investments

The following is a summary of the Town's investments (in thousands) as of June 30, 2019:

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposits	\$ 3,105
Corporate bonds	2,176
Corporate equities	884
Equity mutual funds	160
External investment pool *	5,707
Federal agency securities	3,214
U.S. Treasury notes	<u>3,896</u>
Total investments	<u>\$ 19,142</u>

*Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts general law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts general law, Chapter 30B.

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). The Town does not have formal investment policies related to credit risk.

Presented below (in thousands) is the actual rating as of year-end for each investment type of the Town:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>							
		<u>AAA</u>	<u>A1</u>	<u>A2</u>	<u>A3</u>	<u>AA3</u>	<u>Baa1</u>	<u>Baa2</u>	<u>Unrated</u>
Corporate bonds	\$ 2,176	\$ 15	\$ 379	\$ 280	\$ 132	\$ 131	\$ 645	\$ 324	\$ 270
Federal agency securities	<u>3,214</u>	<u>2,802</u>	-	-	-	-	-	-	<u>412</u>
Total	<u>\$ 5,390</u>	<u>\$ 2,817</u>	<u>\$ 379</u>	<u>\$ 280</u>	<u>\$ 132</u>	<u>\$ 131</u>	<u>\$ 645</u>	<u>\$ 324</u>	<u>\$ 682</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 held by a third-party custodian will be held in the Town's name and tax identification number.

As of June 30, 2019, the Town did not have any investments exposed to custodial credit risk.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration credit disclosure.

As of June 30, 2019, the Town has the following investments (in thousands) in one issuer greater than 5% of total investments:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Bristol County Savings Bank certificate of deposit	\$ 1,000	5.22%
Dean Bank certificate of deposit	<u>1,038</u>	5.42%
Total	<u>\$ 2,038</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>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Certificates of deposits	\$ 3,105	\$ 2,357	\$ 748	\$ -
Corporate bonds	2,176	486	1,654	36
Federal agency securities	3,214	603	2,479	132
U.S. Treasury notes	<u>3,896</u>	<u>901</u>	<u>1,609</u>	<u>1,386</u>
Total	<u>\$ 12,391</u>	<u>\$ 4,347</u>	<u>\$ 6,490</u>	<u>\$ 1,554</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.

F. Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The net asset value (NAV) per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The Town has the following fair value measurements as of June 30, 2019:

Investment Type	Amount	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Corporate bonds	\$ 2,176	\$ -	\$ 2,176	\$ -
Corporate equities	884	884	-	-
Equity mutual funds	160	160	-	-
Federal agency securities	3,214	-	3,214	-
U.S. Treasury notes	3,896	-	3,896	-
Investments measured at the net asset value (NAV):				
External investment pools	<u>5,707</u>			
Total	<u>\$ 16,037</u>			

Equity securities classified as Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified as Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

5. Property Taxes and Excises Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 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.

The day after the final tax bill is due, 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.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise

assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Boat excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

Property taxes and excise receivables at June 30, 2019 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 497,837	\$ (55,653)	\$ 442,184	\$ -
Personal property taxes	141,475	(117,989)	23,486	-
Tax liens	728,039	(72,804)	67,790	587,445
Other	15,389	(1,308)	14,081	-
Total property taxes	<u>\$ 1,382,740</u>	<u>\$ (247,754)</u>	<u>\$ 547,541</u>	<u>\$ 587,445</u>
Motor vehicle excise	\$ 751,330	\$ (386,195)	\$ 365,135	
Boat excise	2,414	(2,414)	-	
Total excises	<u>\$ 753,744</u>	<u>\$ (388,609)</u>	<u>\$ 365,135</u>	

6. User Fee Receivables

Receivables for user charges and betterments at June 30, 2019 consist of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Sewer	\$ 1,490,984	\$ (48,010)	\$ 1,442,974
Water	1,682,240	(62,888)	1,619,352
Solid Waste	221,372	(29,302)	192,070
Ambulance	1,122,604	(336,780)	785,824
Total	<u>\$ 4,517,200</u>	<u>\$ (476,980)</u>	<u>\$ 4,040,220</u>

7. Intergovernmental Receivables

Receivables for intergovernmental at June 30, 2019 consist of the following:

Chapter 70	Circuit Breaker	Other	Total
\$ 2,354,078	\$ 759,274	\$ 31,325	\$ 3,144,677
<u>\$ 2,354,078</u>	<u>\$ 759,274</u>	<u>\$ 31,325</u>	<u>\$ 3,144,677</u>

8. Interfund Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of interfund transfers:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 241,096	\$ 247,900
Nonmajor Funds:		
Special revenue funds	7,900	130,072
Capital project funds	<u>240,000</u>	<u>111,024</u>
Subtotal Nonmajor Funds	<u>247,900</u>	<u>241,096</u>
Total Governmental Funds	<u>\$ 488,996</u>	<u>\$ 488,996</u>

Of the transfer into the general fund, \$130,072 was transferred from special revenue funds to close inactive funds and \$111,024 was transferred from capital project funds to fund stabilization funds (included in the general fund). Of the transfer out of the general fund, \$240,000 was transferred to capital project funds to fund the library repairs and upgrade street lighting.

9. Capital Assets

Capital asset activity for the year ended June 30, 2019 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	\$ 251,126	\$ 835	\$ -	\$ 251,961
Machinery, equipment, and furnishings	12,406	1,130	(460)	13,076
Infrastructure	<u>87,270</u>	<u>1,737</u>	<u>-</u>	<u>89,007</u>
Total capital assets, being depreciated	350,802	3,702	(460)	354,044
Less accumulated depreciation for:				
Buildings and improvements	(68,165)	(6,891)	-	(75,056)
Machinery, equipment, and furnishings	(7,884)	(826)	460	(8,250)
Infrastructure	<u>(50,932)</u>	<u>(1,861)</u>	<u>-</u>	<u>(52,793)</u>
Total accumulated depreciation	<u>(126,981)</u>	<u>(9,578)</u>	<u>460</u>	<u>(136,099)</u>
Total capital assets, being depreciated, net	223,821	(5,876)	-	217,945
Capital assets, not being depreciated:				
Land	18,623	-	-	18,623
Works of art	<u>96</u>	<u>-</u>	<u>-</u>	<u>96</u>
Total capital assets, not being depreciated	<u>18,719</u>	<u>-</u>	<u>-</u>	<u>18,719</u>
Governmental activities capital assets, net	<u>\$ 242,540</u>	<u>\$ (5,876)</u>	<u>\$ -</u>	<u>\$ 236,664</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 306	\$ -	\$ -	\$ 306
Machinery, equipment, and furnishings	1,826	143	(29)	1,940
Infrastructure	<u>109,298</u>	<u>3,916</u>	<u>-</u>	<u>113,214</u>
Total capital assets, being depreciated	111,430	4,059	(29)	115,460
Less accumulated depreciation for:				
Buildings and improvements	(141)	(7)		(148)
Machinery, equipment, and furnishings	(1,192)	(203)	29	(1,366)
Infrastructure	<u>(53,036)</u>	<u>(2,117)</u>	<u>-</u>	<u>(55,153)</u>
Total accumulated depreciation	<u>(54,369)</u>	<u>(2,327)</u>	<u>29</u>	<u>(56,667)</u>
Total capital assets, being depreciated, net	57,061	1,732	-	58,793
Capital assets, not being depreciated:				
Land	<u>4,136</u>	<u>-</u>	<u>-</u>	<u>4,136</u>
Total capital assets, not being depreciated	<u>4,136</u>	<u>-</u>	<u>-</u>	<u>4,136</u>
Business-type activities capital assets, net	<u>\$ 61,197</u>	<u>\$ 1,732</u>	<u>\$ -</u>	<u>\$ 62,929</u>

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

Governmental Activities	
General government	\$ 152
Public safety	836
Education	5,215
Public works	2,319
Health and human services	226
Culture and recreation	<u>830</u>
Total governmental activities	<u>\$ 9,578</u>
Business-Type Activities	
Sewer	\$ 448
Water	1,799
Solid waste	<u>80</u>
Total business-type activities	<u>\$ 2,327</u>

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions, in accordance with GASB Statements No. 68, are more fully discussed in the corresponding pension note.

11. Warrants and Accounts Payable

Warrants payable represent 2019 expenditures paid by July 15, 2019, as permitted by law. Accounts payable represent additional 2019 expenditures paid after July 15, 2019.

12. Notes Payable

The Town had the following bond anticipation notes outstanding at June 30, 2019:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/19</u>
Water treatment plant design	1.80%	5/16/19	5/15/20	\$ 758,000
Well 3A	1.80%	5/16/19	5/15/20	342,000
Total				<u>\$ 1,100,000</u>

The following summarizes activity in notes payable during fiscal year 2019:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Bonded</u>	<u>BAN Paydown</u>	<u>Retired</u>	<u>Balance End of Year</u>
Library reconstruction	\$ 10,300,000	\$ -	\$ (9,150,000)	\$ (1,035,000)	\$ (115,000)	\$ -
Water treatment plant design	-	758,000	-	-	-	758,000
Well 3A	-	342,000	-	-	-	342,000
Total	<u>\$ 10,300,000</u>	<u>\$ 1,100,000</u>	<u>\$ (9,150,000)</u>	<u>\$ (1,035,000)</u>	<u>\$ (115,000)</u>	<u>\$ 1,100,000</u>

13. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds and loans payable 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. Loans payable have been issued for the business-type activities. General obligation bonds and loans payable currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/19</u>
Keller-Sullivan School	03/15/05	03/15/25	3.25 - 5.50	\$ 2,194,001
School building repairs	05/02/12	06/30/22	2.00 - 4.00	600,000
General obligation refunding 2002	12/15/11	06/30/22	2.00 - 4.00	102,000
General obligation refunding 2003	12/15/11	06/30/22	2.00 - 4.00	1,504,000
General obligation refunding 2004	05/02/12	06/30/22	2.00 - 4.00	667,000
High School construction	08/15/13	06/15/38	4.13 - 5.00	38,570,000
General obligation refunding 2015	02/25/15	03/15/27	2.00 - 4.00	2,140,000
General obligation refunding 2016	06/15/16	03/01/28	4.00	7,310,000
General obligation municipal purpose	05/17/18	05/15/43	2.50 - 5.00	2,385,000
General obligation library bond	05/16/19	05/15/39	3.00 - 5.00	9,150,000
Total Governmental Activities				<u>\$ 64,622,001</u>

<u>Business-Type Activities:</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/19</u>
Sewer refunding 2002	12/15/11	06/30/23	2.00 - 4.00	\$ 115,000
Sewer refunding 2004	05/02/12	06/30/22	2.00 - 4.00	244,000
Sewer refunding 2015	02/25/15	03/15/27	2.00 - 4.00	1,335,000
Water mains	03/15/05	03/15/25	4.26	903,000
Water refunding 2002	12/15/11	06/30/23	2.00 - 4.00	244,000
Water refunding 2004	05/02/12	06/30/22	2.00 - 4.00	367,000
Water line replacement	08/15/13	06/15/28	4.00 - 5.00	3,325,000
Water refunding 2015	02/25/15	03/15/27	2.00 - 4.00	1,480,000
Water infrastructure improvements	05/17/18	05/15/33	2.50-5.00	4,200,000
Subtotal bonds payable				12,213,000
Water treatment facility DW-02-12	11/15/04	08/01/24	2.50 - 5.25	2,117,339
MWPAT Title V	09/28/01	08/01/19	4.50 - 5.75	1,696
Subtotal loans payable (direct borrowings)				<u>2,119,035</u>
Total Business-Type Activities				<u>\$ 14,332,035</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2019 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 4,117,000	\$ 2,663,667	\$ 6,780,667
2021	4,164,000	2,497,741	6,661,741
2022	4,230,000	2,314,951	6,544,951
2023	4,044,000	2,133,221	6,177,221
2024	3,732,000	1,955,581	5,687,581
2025-2029	14,835,001	7,636,778	22,471,779
2030-2034	13,180,000	4,843,192	18,023,192
Thereafter	<u>16,320,000</u>	<u>1,914,438</u>	<u>18,234,438</u>
Total	<u>\$ 64,622,001</u>	<u>\$ 25,959,569</u>	<u>\$ 90,581,570</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, 2019.

Business-Type	Bonds Payable		Loans Payable (Direct Borrowings)		Total
	Principal	Interest	Principal	Interest	
2020	\$ 1,453,000	\$ 492,396	\$ 322,650	\$ 31,740	\$ 2,299,786
2021	1,436,000	436,016	335,325	19,937	2,227,278
2022	1,415,000	373,531	344,906	11,056	2,144,493
2023	1,296,000	319,661	359,277	5,575	1,980,513
2024	1,293,000	264,076	373,648	-	1,930,724
2025-2029	4,265,000	650,680	383,229	-	5,298,909
2030-2034	1,055,000	79,724	-	-	1,134,724
Total	\$ <u>12,213,000</u>	\$ <u>2,616,084</u>	\$ <u>2,119,035</u>	\$ <u>68,308</u>	\$ <u>17,016,427</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities (in thousands):

	Beginning Balance	Additions	Reductions	Total Balance 6/30/19	Less Current Portion	Equals Long-Term Portion 6/30/19
Governmental Activities						
Bonds payable	\$ 59,441	\$ 9,150	\$ (3,969)	\$ 64,622	\$ (4,117)	\$ 60,505
Unamortized premium	-	898	(7)	891	(45)	846
Subtotal	59,441	10,048	(3,976)	65,513	(4,162)	61,351
Net pension liability	40,897	7,321	-	48,218	-	48,218
Net OPEB liability	73,357	-	(5,351)	68,006	-	68,006
Other:						
Compensated absences	2,025	11	(470)	1,566	(78)	1,488
Subtotal - other	2,025	11	(470)	1,566	(78)	1,488
Totals	\$ <u>175,720</u>	\$ <u>17,380</u>	\$ <u>(9,797)</u>	\$ <u>183,303</u>	\$ <u>(4,240)</u>	\$ <u>179,063</u>
Business-Type Activities						
Bonds payable	\$ 13,685	\$ -	\$ (1,472)	\$ 12,213	\$ (1,453)	\$ 10,760
Loans payable (direct borrowings)	2,432	-	(313)	2,119	(323)	1,796
Subtotal	16,117	-	(1,785)	14,332	(1,776)	12,556
Net pension liability	325	64	-	389	-	389
Net OPEB liability	592	-	(44)	548	-	548
Other:						
Compensated absences	144	-	(41)	103	(5)	98
Subtotal - other	144	-	(41)	103	(5)	98
Totals	\$ <u>17,178</u>	\$ <u>64</u>	\$ <u>(1,870)</u>	\$ <u>15,372</u>	\$ <u>(1,781)</u>	\$ <u>13,591</u>

14. Deferred Inflows of Resources

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

is more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

15. Governmental Funds - Balances

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

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, 2019:

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

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes capital projects funded by grants and 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 non-lapsing capital appropriations approved by Town Council, capital improvement stabilization funds (now reported as part of the general fund per GASB 54), and various special revenue and expendable trust 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) and temporary deficits in other governmental funds.

Following is a breakdown of the Town's fund balances at June 30, 2019:

	General 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	65,855	-	65,855
Special revenue funds:			
School lunch	-	287,193	287,193
Life long learning	-	691,295	691,295
Extra curricular athletics	-	577,253	577,253
Transportation	-	985,836	985,836
Pre-kindergarten	-	688,710	688,710
Circuit breaker	-	2,760,447	2,760,447
Sale of real estate receipts reserved	-	1,559,848	1,559,848
Parking meter receipts	-	428,574	428,574
Ambulance receipts reserve	-	309,684	309,684
Town use of facilities	-	190,468	190,468
Wetlands protection	-	175,054	175,054
CDBG program income	-	104,718	104,718
40B Franklin heights infrastructure	-	148,000	148,000
Other	-	1,244,702	1,244,702
Capital projects funds	-	265,850	265,850
Expendable trust funds	-	2,846,157	2,846,157
Total Restricted	65,855	13,263,789	13,329,644
Committed			
Reserve for continuing resolutions:			
Roadwork	2,023,000	-	2,023,000
Ambulance	318,851	-	318,851
Fletcher field courts	200,000	-	200,000
Keller Sullivan HVAC	250,000	-	250,000
Security & surveillance	240,000	-	240,000
Public safety communications infrastructure	200,000	-	200,000
Horace Mann drainage	100,000	-	100,000
School technology	145,460	-	145,460
Police vehicles	162,624	-	162,624
Sidewalks	107,154	-	107,154
Other	1,452,498	-	1,452,498
Capital improvement stabilization funds	781,549	-	781,549
Expendable insurance reserves	-	1,386,440	1,386,440
Total Committed	5,981,136	1,386,440	7,367,576
Assigned			
Encumbrances			
General government	334,180	-	334,180
Public safety	11,521	-	11,521
Education	96,150	-	96,150
Public works	104,928	-	104,928
Culture and recreation	35	-	35
Insurance and benefits	100,275	-	100,275
Total Assigned	647,089	-	647,089
Unassigned			
General fund	5,119,003	-	5,119,003
General stabilization fund	6,209,868	-	6,209,868
Budget stabilization fund	392,705	-	392,705
Special revenue funds deficits	-	(142,355)	(142,355)
Capital project fund deficits	-	(92,180)	(92,180)
Total Unassigned	11,721,576	(234,535)	11,487,041
Total Fund Balance	\$ 18,415,656	\$ 14,919,624	\$ 33,335,280

16. Norfolk County Retirement System

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

A. Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Norfolk County Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 480 Neponset Street, Canton, Massachusetts 02021.

Participants Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

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

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

Participant Retirement Benefits

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

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

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

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

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

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

Employer Contributions

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

The Town's contribution to the System for the year ended June 30, 2019 was \$5,223,882.

B. Summary of Significant Accounting Policies

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

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

At June 30, 2019, the Town reported a liability of \$48,607,021 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The Town's proportion of the net pension liability was based on an actuarially determined projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At December 31, 2018, the Town's proportion was 7.4672%.

For the year ended June 30, 2019, the Town recognized pension expense of \$6,309,295. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 2,644,430	\$ -
Changes of assumptions	1,437,312	(788,886)
Net difference between projected and actual earnings on pension plan investments	5,899,843	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>50,587</u>	<u>(766,435)</u>
Total	<u>\$ 10,032,172</u>	<u>\$ (1,555,321)</u>

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

Year ended June 30:	
2020	\$ 2,807,209
2021	2,300,844
2022	1,457,141
2023	<u>1,911,657</u>
Total	<u>\$ 8,476,851</u>

D. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.00%
Projected salary increases	3.5% to 5.5%
Investment rate of return	7.75%
Cost of living increases	3% of the first \$17,000 of retirement

Mortality rates were based on the RP-2014 Blue Collar Mortality Table adjusted with Scale MP-2014.

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	32.0%	8.1%
International equities	17.5%	8.2%
Fixed income	19.0%	3.2%
Real estate	9.0%	7.3%
Private equity	8.5%	10.4%
Hedge funds	9.0%	7.4%
Real assets	5.0%	10.4%
Total	<u>100.00%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2018 was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Under Chapter 32 of the MGL, employers are required to make the necessary contributions such that the

pension plan reaches full funding status by 2040. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the System's net pension liability calculated using the discount rate of 7.75%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$ 60,957,468	\$ 48,607,021	\$ 38,107,316

G. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

17. **Massachusetts Teachers' Retirement System (MTRS)**

A. Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State

Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

B. Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

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

C. Contributions

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

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

D. Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2017. This valuation used the following assumptions:

- (a) 7.35% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement - reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
 - Disability – assumed to be in accordance with RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

E. Target Allocations

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	5.00%
Portfolio completion strategies	13.00%	3.70%
Core fixed income	12.00%	90.00%
Private equity	12.00%	6.60%
Real estate	10.00%	3.80%
Value added fixed income	10.00%	3.80%
Timber/natural resources	4.00%	3.40%
Total	<u>100.00%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Sensitivity Analysis

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

1% Decrease to <u>6.35%</u>	Current Discount Rate <u>7.35%</u>	1% Increase to <u>8.35%</u>
\$ 29,482,300	\$ 23,711,289	\$ 18,771,300

H. Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

I. Town Proportions

In fiscal year 2018 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$136,449,789 based on a proportionate share of 0.575463%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$7,566,095 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$13,827,210 as both a revenue and expense in the governmental activities.

18. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2010, the Town established an OPEB Trust Fund to provide funding for future employee health care costs.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2019.

A. General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through Tufts Health Plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

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

Funding Policy

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations/authorizations.

Plan Membership

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	643
Active employees	<u>946</u>
Total	<u><u>1,589</u></u>

B. Investments

The OPEB trust fund assets consist of investments held by the Pension Reserves Investment Trust.

Rate of return. For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was not available. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	7.50%, net of OPEB plan investment expense
Discount rate	7.50%
Healthcare cost trend rates	4.5% for 2019 and future periods
Participation rate	95% of future retiree teachers are assumed to participate in the retiree medical plan, 70% of future non-teacher retirees are expected to participate in the retiree medical plan, and 75% of future retirees are expected to elect life insurance
Funding assumption	In year 2032, the Town will utilize funds (approximately \$7 million) that were previously utilized for funding the net pension liability to fund the net OPEB liability.

Mortality rates were based on the SOA Pub-2010 Public Retirement Plans Mortality Tables specific to the Group, Pre-retirement versus Post, Disabled and Beneficiaries, with Scale MP-2019 improvements until 2025.

D. Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected

future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equity	17.50%	7.62%
International equities	15.50%	7.80%
Emerging international equities	6.00%	9.31%
Core bonds	5.00%	4.37%
20+ yr. treasury STRIPS	2.00%	3.50%
TIPS	5.00%	4.00%
Value-added fixed income	10.00%	7.58%
Private equity	12.00%	11.15%
Real estate	10.00%	6.59%
Timberland	4.00%	7.00%
Portfolio completion	<u>13.00%</u>	6.83%
Total	<u>100.00%</u>	

E. Discount Rate

The discount rate used to measure the net OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

F. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2019, were as follows:

Total OPEB liability	\$ 74,261,856
Plan fiduciary net position	<u>5,706,986</u>
Net OPEB liability	<u>\$ 68,554,870</u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.68%

The fiduciary net position has been determined on the same basis used by the OPEB plan. For this purpose, the Plan recognizes benefit payments when due and payable.

G. Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 78,437,012	\$ 4,488,685	\$ 73,948,327
Changes for the year:			
Service cost	2,355,858	-	2,355,858
Interest	5,960,335	-	5,960,335
Contributions - employer	-	3,346,111	(3,346,111)
Net investment income	-	280,311	(280,311)
Differences between expected and actual experience	(7,641,391)	-	(7,641,391)
Changes in assumptions or other inputs	(2,157,806)	-	(2,157,806)
Benefit payments	<u>(2,692,152)</u>	<u>(2,408,121)</u>	<u>(284,031)</u>
Net Changes	<u>(4,175,156)</u>	<u>1,218,301</u>	<u>(5,393,457)</u>
Balances, end of year	\$ <u>74,261,856</u>	\$ <u>5,706,986</u>	\$ <u>68,554,870</u>

H. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% <u>Decrease</u>	Current Discount Rate	1% <u>Increase</u>
\$ 79,510,058	\$ 68,554,870	\$ 59,569,484

I. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it as calculated using healthcare cost trend rates that are

one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1%</u> <u>Decrease</u>	Current Healthcare Cost Trend <u>Rates</u>	<u>1%</u> <u>Increase</u>
\$ 57,549,548	\$ 68,554,870	\$ 82,267,527

J. OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB

For the year ended June 30, 2019, the Town recognized an OPEB expense of \$6,379,141. At June 30, 2019, the Town reported deferred (inflows) of resources related to OPEB from the following sources:

	<u>Deferred (Inflows) of Resources</u>
Difference between expected and actual experience	\$ (6,472,983)
Change in assumptions	(1,827,866)
Net difference between projected and actual OPEB investment earnings	<u>(127,757)</u>
Total	<u>\$ (8,428,606)</u>

Amounts reported as deferred (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2020	\$ (1,569,871)
2021	(1,569,872)
2022	(1,501,234)
2023	(1,480,172)
2024	(1,498,348)
Thereafter	<u>(809,109)</u>
Total	<u>\$ (8,428,606)</u>

19. Subsequent Events

Debt

Subsequent to June 30, 2019, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Massachusetts Clean Water Trust Interim Loan	\$ 12,579,500	0.00%	1/15/20	12/26/22

Other

Subsequent to June 30, 2019, the Town Council voted to use \$2,648,579 of fund balance for the fiscal year 2020 budget.

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. The disruption is expected to be temporary, but there is considerable uncertainty around the duration and scope. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

20. Commitments and Contingencies

Outstanding Legal Issues - On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

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

Encumbrances - At year-end the Town's general fund has \$647,089 in encumbrances that will be honored in the next fiscal year.

21. Beginning Fund Balance Reclassification

The beginning (July 1, 2018) fund balance of the Town has been reclassified as follows:

Fund Basis Financial Statements:

	Library Construction Fund	Nonmajor Governmental Funds	Total
As previously reported	\$ (9,894,480)	\$ 13,520,114	\$ 3,625,634
Reclassification of prior year major fund	<u>9,894,480</u>	<u>(9,894,480)</u>	<u>-</u>
As reclassified	<u>\$ -</u>	<u>\$ 3,625,634</u>	<u>\$ 3,625,634</u>

22. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Town beginning with its fiscal year ending June 30, 2020. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported, and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2021. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

TOWN OF FRANKLIN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)
JUNE 30, 2019
(Unaudited)

Norfolk County Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2019	June 30, 2018	7.467200%	\$48,607,021	\$ 23,791,082	204.31%	58.30%
June 30, 2018	June 30, 2017	7.454200%	\$41,222,050	\$ 22,986,553	179.33%	63.50%
June 30, 2017	June 30, 2016	7.611400%	\$39,733,230	\$ 21,380,359	185.84%	61.60%
June 30, 2016	June 30, 2015	7.611443%	\$41,346,324	\$ 20,361,675	203.06%	58.60%
June 30, 2015	June 30, 2014	7.756292%	\$40,226,086	\$ 19,038,422	211.29%	60.10%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2019	June 30, 2018	0.575463%	\$ -	\$ 136,449,789	\$ 136,449,789	\$ 40,413,995	-	54.84%
June 30, 2018	June 30, 2017	0.584000%	\$ -	\$ 133,650,583	\$ 133,650,583	\$ 39,656,333	-	54.25%
June 30, 2017	June 30, 2016	0.594982%	\$ -	\$ 133,025,615	\$ 133,025,615	\$ 39,315,863	-	52.73%
June 30, 2016	June 30, 2015	0.591007%	\$ -	\$ 121,095,209	\$ 121,095,209	\$ 37,463,272	-	55.38%
June 30, 2015	June 30, 2014	0.584174%	\$ -	\$ 92,862,306	\$ 92,862,306	\$ 35,818,594	-	61.64%

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

See Independent Auditors' Report.

**TOWN OF FRANKLIN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)**

**JUNE 30, 2019
(Unaudited)**

Norfolk County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	December 31, 2018	\$ 5,223,882	\$ 5,223,882	\$ -	\$ 23,791,082	21.96%
June 30, 2018	December 31, 2017	\$ 4,771,398	\$ 4,771,398	\$ -	\$ 22,986,553	20.76%
June 30, 2017	December 31, 2016	\$ 4,351,658	\$ 4,351,658	\$ -	\$ 21,380,359	20.35%
June 30, 2016	December 31, 2015	\$ 3,947,535	\$ 3,947,535	\$ -	\$ 20,361,675	19.39%
June 30, 2015	December 31, 2014	\$ 3,661,686	\$ 3,661,686	\$ -	\$ 19,038,422	19.23%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	June 30, 2018	\$ 7,566,095	\$ 7,566,095	\$ -	\$ 40,413,995	18.72%
June 30, 2018	June 30, 2017	\$ 7,215,402	\$ 7,215,402	\$ -	\$ 39,656,333	18.19%
June 30, 2017	June 30, 2016	\$ 6,691,065	\$ 6,691,065	\$ -	\$ 39,315,863	17.02%
June 30, 2016	June 30, 2015	\$ 6,039,677	\$ 6,039,677	\$ -	\$ 37,463,272	16.12%
June 30, 2015	June 30, 2014	\$ 5,475,922	\$ 5,475,922	\$ -	\$ 35,848,594	15.28%

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

See Independent Auditors' Report.

**TOWN OF FRANKLIN, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (GASB 74 AND 75)**

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 2,355,858	\$ 2,749,555	\$ 2,631,153
Interest on unfunded liability - time value of \$	5,960,335	5,560,968	5,151,437
Differences between expected and actual experience	(7,641,391)	-	-
Changes of assumptions	(2,157,806)	-	-
Benefit payments, including refunds of member contributions	<u>(2,692,152)</u>	<u>(2,495,281)</u>	<u>(2,387,829)</u>
Net change in total OPEB liability	(4,175,156)	5,815,242	5,394,761
Total OPEB liability - beginning	<u>78,437,012</u>	<u>72,621,770</u>	<u>67,227,009</u>
Total OPEB liability - ending (a)	74,261,856	78,437,012	72,621,770
 Plan Fiduciary Net Position			
Contributions - employer	3,346,111	3,113,747	3,219,829
Net investment income	280,311	383,452	521,740
Benefit payments, including refunds of member contributions	(2,408,121)	(2,311,621)	(2,387,829)
Other	<u>-</u>	<u>(22,867)</u>	<u>-</u>
Net change in plan fiduciary net position	1,218,301	1,162,711	1,353,740
Plan fiduciary net position - beginning	<u>4,488,685</u>	<u>3,325,974</u>	<u>1,972,234</u>
Plan fiduciary net position - ending (b)	<u>5,706,986</u>	<u>4,488,685</u>	<u>3,325,974</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 68,554,870</u>	<u>\$ 73,948,327</u>	<u>\$ 69,295,796</u>

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

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

See Independent Auditors' Report.

**TOWN OF FRANKLIN, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS (GASB 74 AND 75)
(Unaudited)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability			
Total OPEB liability	\$ 74,261,856	\$ 78,437,012	\$ 72,621,770
Plan fiduciary net position	<u>5,706,986</u>	<u>4,488,685</u>	<u>3,325,974</u>
Net OPEB liability (asset)	<u>\$ 68,554,870</u>	<u>\$ 73,948,327</u>	<u>\$ 69,295,796</u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.68%	5.72%	4.58%

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions			
Actuarially determined contribution	\$ 5,724,334	\$ 5,871,382	\$ 5,618,548
Contributions in relation to the actuarially determined contribution	<u>3,350,121</u>	<u>3,136,488</u>	<u>3,219,829</u>
Contribution deficiency (excess)	<u>\$ 2,374,213</u>	<u>\$ 2,734,894</u>	<u>\$ 2,398,719</u>

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns			
Annual money weighted rate of return, net of investment expense	unavailable	unavailable	unavailable

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

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

See Independent Auditors' Report.