



## FRANKLIN TOWN COUNCIL

March 9, 2016

7:00 PM

### A. APPROVAL OF MINUTES

**B. ANNOUNCEMENTS** – *This meeting is being recorded by Franklin TV and shown on Comcast channel 11 and Verizon channel 29. This meeting may also be recorded by others.*

### C. PROCLAMATIONS/RECOGNITIONS

**D. CITIZEN COMMENTS** – *Citizens are welcome to express their views for up to five minutes on a matter that is not on the Agenda. The Council will not engage in a dialogue or comment on a matter raised during Citizen Comments. The Town Council will give remarks appropriate consideration and may ask the Town Administrator to review the matter.*

### E. APPOINTMENTS

### F. HEARINGS

### G. LICENSE TRANSACTIONS

### H. PRESENTATIONS/DISCUSSIONS

1. [2015 Audit – Melanson Heath, Auditors – Part 1](#)  
[2015 Audit – Management Letter – Part 2](#)
2. [Mandatory Alcohol Awareness Training for Licensees](#)

### I. SUBCOMMITTEE REPORTS

### J. LEGISLATION FOR ACTION

1. [Resolution 16-11: Declaration of Town-Owned Land on Grove Street \(Portion of Former Nu-Style Property\) as Surplus and Available for Disposition](#)
2. [Resolution 16-12: Authorization for Municipal Aggregation of Electricity](#)
3. [Resolution 16-13: Appropriation: Town Administrator: Insurance Recovery Account – 28123490](#)
4. [Resolution 16-14: Appropriation: Records Management – Assessors](#)
5. [Bylaw Amendment 16-755: Chapter 179, Water – <sup>1st Reading</sup>](#)
6. [Bylaw Amendment 16-756: Chapter 170 Vehicles and Traffic Article X Winter Storm Overnight Parking – <sup>1st Reading</sup>](#)

### K. TOWN ADMINISTRATOR'S REPORT

### L. OLD BUSINESS

### M. NEW BUSINESS

### N. COUNCIL COMMENTS

### O. EXECUTIVE SESSION - Pending or threatened litigation

1. *Proposed Excelon expansion of Medway electric generating facility pending before Energy Facilities Siting Board.*
2. *Proposed Spectra gas transmission line through Franklin.*

### P. ADJOURN

**TOWN OF FRANKLIN, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2015**

**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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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



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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

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

### ***Other Information***

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2016 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Melanson Heath*

February 10, 2016

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

As management of the Town of Franklin we offer readers this narrative overview and analysis of the financial activities of the Town of Franklin for the fiscal year ended June 30, 2015.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities include sewer, water and solid waste activities.

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

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

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

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

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

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

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

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

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

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

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

## B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$170,286,498 (i.e., net position), a change of \$5,833,053 in comparison to the prior year.
- As of the close of the current fiscal year, governmental activities reported unrestricted net position of \$(62,602,474), a change of \$(44,845,586), in comparison to the prior year. This change is primarily due to the implementation of GASB 68 (see Notes 19 and 21).
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$28,001,948, a change of \$(10,306,527) in comparison to the prior year. This change is primarily due to activity associated with the ongoing High School construction project.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,686,850, a change of \$(721,012) in comparison to the prior year.

## C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current assets	\$ 38,088	\$ 46,468	\$ 14,963	\$ 15,478	\$ 53,051	\$ 61,946
Noncurrent assets	237,659	222,744	58,464	57,668	296,123	280,412
Deferred outflows	<u>1,648</u>	<u>-</u>	<u>13</u>	<u>-</u>	<u>1,661</u>	<u>-</u>
Total assets and deferred outflows	277,395	269,212	73,440	73,146	350,835	342,358
Current liabilities	13,405	12,512	2,284	1,828	15,689	14,340
Noncurrent liabilities	149,395	112,726	15,457	12,462	164,852	125,188
Deferred inflows of resources	<u>7</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>3</u>
Total liabilities and deferred inflows	162,807	125,241	17,741	14,290	180,548	139,531
Net position:						
Net investment in capital assets	164,652	150,017	42,133	45,826	206,785	195,843
Restricted	12,538	11,711	-	-	12,538	11,711
Unrestricted	<u>(62,602)</u>	<u>(17,757)</u>	<u>13,566</u>	<u>13,030</u>	<u>(49,036)</u>	<u>(4,727)</u>
Total net position	<u>\$ 114,588</u>	<u>\$ 143,971</u>	<u>\$ 55,699</u>	<u>\$ 58,856</u>	<u>\$ 170,287</u>	<u>\$ 202,827</u>

# CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,862	\$ 6,332	\$ 13,846	\$ 13,418	\$ 20,708	\$ 19,750
Operating grants and contributions	40,670	42,529	-	-	40,670	42,529
General revenues:						
Property taxes	65,340	61,168	-	-	65,340	61,168
Excises	5,298	5,455	-	-	5,298	5,455
Penalties, interest, and other taxes	309	283	-	-	309	283
Grants and contributions not restricted to specific programs	13,083	33,683	-	-	13,083	33,683
Investment income	149	353	28	20	177	373
Miscellaneous	282	1,586	11	8	293	1,594
Total revenues	<u>131,993</u>	<u>151,389</u>	<u>13,885</u>	<u>13,446</u>	<u>145,878</u>	<u>164,835</u>
Expenses:						
General government	12,003	9,859	-	-	12,003	9,859
Public safety	10,110	10,336	-	-	10,110	10,336
Education	74,705	74,621	-	-	74,705	74,621
Public works	7,124	6,363	-	-	7,124	6,363
Human services	935	869	-	-	935	869
Culture and recreation	1,643	1,446	-	-	1,643	1,446
Employee benefits	14,060	13,380	-	-	14,060	13,380
Interest on long-term debt	2,918	3,223	-	-	2,918	3,223
Intergovernmental	5,003	4,653	-	-	5,003	4,653
Sewer	-	-	3,909	3,733	3,909	3,733
Water	-	-	5,076	4,567	5,076	4,567
Sanitation	-	-	1,936	2,055	1,936	2,055
Total expenses	<u>128,501</u>	<u>124,750</u>	<u>10,921</u>	<u>10,355</u>	<u>139,422</u>	<u>135,105</u>
Change in net position before transfers	3,492	26,639	2,964	3,091	6,456	29,730
Transfers in (out)	<u>400</u>	<u>1,199</u>	<u>(1,022)</u>	<u>(1,697)</u>	<u>(622)</u>	<u>(498)</u>
Change in net position	3,892	27,838	1,942	1,394	5,834	29,232
<sup>1</sup> Net position - beginning of year, as restated	<u>110,696</u>	<u>116,133</u>	<u>53,757</u>	<u>57,462</u>	<u>164,453</u>	<u>173,595</u>
Net position - end of year	<u>\$ 114,588</u>	<u>\$ 143,971</u>	<u>\$ 55,699</u>	<u>\$ 58,856</u>	<u>\$ 170,287</u>	<u>\$ 202,827</u>

<sup>1</sup> Restated from the prior year as described in Note 21. Comparative balances for fiscal year 2014 as reported in the MD&A have not been restated.

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 \$170,286,498, a change of \$5,833,053 from the prior year.

The largest portion of net position \$206,784,445 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$12,538,304 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 \$(49,036,251), resulting from unfunded OPEB and net pension liabilities (see Notes 18 and 19).

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$3,891,537. Key elements of this change are as follows:

General fund revenues and transfers in excess of expenditures and transfers out	\$ (1,702,025)
High School construction fund change in fund balance, net of capital additions	8,792,628
Nonmajor governmental funds change in funds balance, net of capital additions	1,597,869
Depreciation expense in excess of principal debt service expense	(1,179,585)
Capital additions funded by operating cash	2,679,042
Increase in net OPEB obligation	(5,218,643)
Change in net pension liability	(1,837,684)
MSBA grants recognized in prior years	(825,934)
Change in deferred outflows	1,648,021
Other	(62,152)
Total	\$ 3,891,537

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$1,941,516. Key elements of this change are as follows:

Sewer operations	\$ 971,991
Water operations	973,388
Solid waste operations	(3,863)
Total	\$ 1,941,516

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

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



**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$28,001,948, a change of \$(10,306,527) in comparison to the prior year. Key elements of this change are as follows:

General fund revenues and other financing sources in excess of expenditures and transfers out	\$ (1,702,025)
High School construction MSBA grant revenues and other financing sources in excess of expenditures	(10,202,372)
Special revenue fund revenues and transfers in excess of expenditures and transfers out	649,767
Nonmajor capital projects fund expenditures and transfers out in excess of revenues	899,583
Trust fund expenditures and transfers out in excess of revenues	<u>48,520</u>
Total	<u>\$ (10,306,527)</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 \$9,686,850, while total fund balance was \$16,231,482. 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>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance <sup>(1)</sup>	\$ 9,686,850	\$ 10,407,862	\$ (721,012)	9.0%
Total fund balance	\$ 16,231,482	\$ 17,933,507	\$ (1,702,025)	15.2%

<sup>(1)</sup> Includes \$4,915,019 in general stabilization and \$1,324,442 in budget stabilization funds.

The total fund balance of the general fund changed by \$(1,702,025) during the current fiscal year. Key factors in this change are as follows:

Use of free cash, overlay surplus, and other reserves as a funding source	\$ (3,072,759)
Add back transfers to stabilization funds	<u>550,000</u>
Subtotal	(2,522,759)
Revenues in excess of budget	897,419
Expenditures less than budget	1,242,622
Other	<u>(1,319,307)</u>
Total	<u>\$ (1,702,025)</u>

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

	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>
General stabilization	\$ 4,915,019	\$ 4,894,603	\$ 20,416
Budget stabilization	1,324,442	1,312,495	11,947
Public works stabilization	277,281	276,728	553
Senior center stabilization	-	910,207	(910,207)
Athletic fields stabilization	658,546	454,038	204,508
Fire truck stabilization	379,813	277,103	102,710
Property acquisition stabilization	251,476	-	251,476
Traffic signal stabilization	4,597	4,585	12
Total	<u>\$ 7,811,174</u>	<u>\$ 8,129,759</u>	<u>\$ (318,585)</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 \$13,556,223, a change of \$535,901 in comparison to the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$3,323,759. Major reasons for this change include:

\$ 200,000	appropriated to fund roads, sidewalks, drainage, storm, water, and infrastructure projects; funded by free cash.
251,000	appropriated for the purchase of land off Lincoln Street; funded by a transfer from the open space expendable trust account.
11,000	appropriated for the purchase of an animal control truck; funded by free cash
30,000	appropriated for the purchase of a diesel asphalt hot box; funded by free cash
200,000	appropriated for the athletic fields capital improvement stabilization fund; funded by free cash.
200,000	appropriated for the other post employment benefits trust fund; funded by free cash.
100,000	appropriated for the fire truck stabilization fund; funded by free cash.

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1,752,000	appropriated for the 2015 capital improvement plan; funded by free cash
10,000	appropriated for an actuary study to determine Town's liability as it relates to the unfunded retiree health insurance obligation; funded by free cash.
12,000	appropriated for the central services postage budget; funded by free cash.
2,000	appropriated for the zoning board of appeals budget; funded by free cash.
50,000	appropriated for the legal budget; funded by free cash.
505,759	appropriated for the snow & ice budget; funded by free cash.
<u>\$ 3,323,759</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 \$295,352,145 (net of accumulated depreciation), a change of \$16,592,381 from the prior year. 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 ongoing construction costs for the new high school, various building improvements, conservation land purchases, sewer and water system improvements, various street improvements, and the acquisition of vehicles, and equipment for various Town departments.

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

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

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$85,384,457, all of which was backed by the full faith and credit of the government.

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

#### **G. STABILIZATION FUNDS**

In the late 1990s, the Town settled a legal case and received over six million dollars. The funds were paid to the Town over several years. All funds received from the settlement were voted into the general Stabilization Fund, resulting in a

balance of over \$9,000,000 in the account. The Stabilization Fund, plus interest, may be appropriated at any Town Council meeting for any municipal purpose. The Town always maintained a "traditional" general fund stabilization account.

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

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

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

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

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

<u>As of June 30</u>	<u>Stabilization Fund Balance</u>	<u>Budget Stabilization</u>	<u>Debt Stabilization</u>	<u>Public Works Stabilization</u>	<u>Other Stabilization</u>	<u>Total Stabilization</u>
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
2008	\$ 4,137	\$ -	\$ 568	\$ 792	\$ -	\$ 5,497
2007	\$ 5,224	\$ -	\$ 552	\$ 924	\$ -	\$ 6,700

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Franklin's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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

## TOWN OF FRANKLIN, MASSACHUSETTS

## STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 24,999,201	\$ 11,210,619	\$ 36,209,820
Investments	10,513,687	-	10,513,687
Receivables, net of allowance for uncollectibles:			
Property taxes	534,439	-	534,439
Excises	267,328	-	267,328
User fees	418,491	3,726,837	4,145,328
Intergovernmental	1,353,159	-	1,353,159
Betterments	1,293	25,713	27,006
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	548,097	-	548,097
Betterments	8,204	214,222	222,426
Land and construction in progress	118,440,649	4,348,360	122,789,009
Capital assets being depreciated, net of accumulated depreciation	118,661,634	53,901,502	172,563,136
	<u>1,648,021</u>	<u>13,114</u>	<u>1,661,135</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>277,394,203</b>	<b>73,440,367</b>	<b>350,834,570</b>
<b>LIABILITIES</b>			
Current:			
Warrants and accounts payable	2,448,257	475,231	2,923,488
Accrued liabilities	2,363,107	166,486	2,529,593
Notes payable	3,250,000	-	3,250,000
Tax refunds payable	530,601	-	530,601
Other liabilities	610,711	-	610,711
Current portion of long-term liabilities:			
Bonds payable	4,104,250	1,635,286	5,739,536
Compensated absences	98,299	7,075	105,374
Noncurrent:			
Bonds payable, net of current portion	65,163,001	14,481,920	79,644,921
Compensated absences, net of current portion	1,867,690	134,422	2,002,112
Other post-employment benefits	42,455,316	523,506	42,978,822
Net pension liability	39,908,524	317,562	40,226,086
	<u>6,828</u>	<u>-</u>	<u>6,828</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>162,806,584</b>	<b>17,741,488</b>	<b>180,548,072</b>
<b>NET POSITION</b>			
Net investment in capital assets	164,651,789	42,132,656	206,784,445
Restricted for:			
Grants and other statutory restrictions	9,079,762	-	9,079,762
Permanent funds:			
Nonexpendable	503,930	-	503,930
Expendable	2,954,612	-	2,954,612
	<u>(62,602,474)</u>	<u>13,566,223</u>	<u>(49,036,251)</u>
Unrestricted			
<b>TOTAL NET ASSETS</b>	<b>\$ 114,587,619</b>	<b>\$ 55,698,879</b>	<b>\$ 170,286,498</b>

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

TOWN OF FRANKLIN, MASSACHUSETTS  
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
<b>Expenses</b>				
<b>Governmental Activities:</b>				
General government	\$ 12,002,784	\$ 1,584,898	\$ (9,762,318)	\$ (9,762,318)
Public safety	10,110,052	502,951	(7,885,798)	(7,885,798)
Education	74,704,840	37,881,201	(33,191,333)	(33,191,333)
Public works	7,124,469	333,599	(6,604,551)	(6,604,551)
Health and human services	934,579	115,267	(681,967)	(681,967)
Culture and recreation	1,643,208	242,035	(871,844)	(871,844)
Insurance and benefits	14,059,527	9,652	(14,049,875)	(14,049,875)
Interest	2,918,086	-	(2,918,086)	(2,918,086)
Intergovernmental	5,002,971	-	(5,002,971)	(5,002,971)
Total Governmental Activities	128,500,516	40,669,603	(80,968,743)	(80,968,743)
<b>Business-Type Activities:</b>				
Sewer services	3,909,598	-	-	1,367,936
Water services	5,075,891	-	-	1,496,304
Sanitation services	1,935,902	-	-	60,808
Total Business-Type Activities	10,921,391	-	-	2,925,048
Total	\$ 139,421,907	\$ 40,669,603	(80,968,743)	(78,043,695)
<b>General Revenues and transfers:</b>				
Property taxes			65,339,701	65,339,701
Excises			5,298,037	5,298,037
Penalties, interest and other taxes			308,950	308,950
Grants and contributions not restricted to specific programs			13,083,462	13,083,462
Investment income			148,765	177,086
Miscellaneous			281,365	291,512
Transfers, net			400,000	(622,000)
Total general revenues			84,860,280	83,876,748
Change in Net Position			3,891,537	5,833,053
<b>Net Position:</b>				
Beginning of year, as restated			110,696,082	164,453,445
End of year			\$ 114,587,619	\$ 170,286,498

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



TOWN OF FRANKLIN, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	General Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and short-term investments	\$ 13,754,371	\$ 759,618	\$ 10,485,212	\$ 24,999,201
Investments	6,356,830	-	4,156,857	10,513,687
Receivables:				
Property taxes	1,317,673	-	-	1,317,673
Excises	543,486	-	-	543,486
Special assessments	121	-	-	121
User fees	597,844	-	-	597,844
Intergovernmental	-	-	527,226	527,226
<b>TOTAL ASSETS</b>	<u>\$ 22,570,325</u>	<u>\$ 759,618</u>	<u>\$ 15,169,295</u>	<u>\$ 38,499,238</u>
<b>LIABILITIES</b>				
Warrants and accounts payable	\$ 1,539,810	\$ 556,255	\$ 352,192	\$ 2,448,257
Accrued liabilities	1,371,797	-	-	1,371,797
Tax refunds payable	530,601	-	-	530,601
Other liabilities	610,710	-	-	610,710
<b>TOTAL LIABILITIES</b>	<u>4,052,918</u>	<u>3,556,255</u>	<u>602,192</u>	<u>8,211,365</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>2,285,925</u>	<u>-</u>	<u>-</u>	<u>2,285,925</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	503,930	503,930
Restricted	-	-	13,140,733	13,140,733
Committed	5,466,033	-	1,436,653	6,902,686
Assigned	1,078,599	-	-	1,078,599
Unassigned	9,686,850	(2,796,637)	(514,213)	6,376,000
<b>TOTAL FUND BALANCES</b>	<u>16,231,482</u>	<u>(2,796,637)</u>	<u>14,567,103</u>	<u>28,001,948</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 22,570,325</u>	<u>\$ 759,618</u>	<u>\$ 15,169,295</u>	<u>\$ 38,499,238</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, 2015

<b>Total governmental fund balances</b>	\$ 28,001,948
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	237,102,283
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	1,597,824
<ul style="list-style-type: none"><li>• MSBA reimbursements for contracted assistance projects are not receivable in the current period; therefore, they are not reported in the governmental funds.</li></ul>	825,933
<ul style="list-style-type: none"><li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(991,310)
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable, compensated absences, and other post-employment benefits, are not due and payable in the current period and therefore are not reported in the governmental funds.</li></ul>	(153,597,080)
<ul style="list-style-type: none"><li>• Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds.</li></ul>	<u>1,648,021</u>
<b>Net position of governmental activities</b>	<b>\$ <u>114,587,619</u></b>

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, 2015

	General Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 65,278,645	\$ -	\$ -	\$ 65,278,645
Excises	5,345,981	-	-	5,345,981
Penalties, interest and other taxes	280,754	-	595	281,349
Special assessments	5,937	-	-	5,937
Charges for services	2,023,422	-	3,989,868	6,013,290
Licenses and permits	821,404	-	-	821,404
Intergovernmental	31,591,573	8,885,908	6,376,405	46,853,886
Fines and forfeitures	115,969	-	3,445	119,414
Contributions	-	-	436,720	436,720
Investment income	164,355	-	22,277	186,632
Miscellaneous	46,919	-	730,549	777,468
<b>Total Revenues</b>	<b>105,674,959</b>	<b>8,885,908</b>	<b>11,559,859</b>	<b>126,120,726</b>
<b>Expenditures:</b>				
Current:				
General government	9,951,871	-	1,535,871	11,487,742
Public safety	9,636,601	-	290,643	9,927,244
Education	58,203,462	-	7,205,166	65,408,628
Public works	5,114,204	-	352,463	5,466,667
Health and human services	568,396	-	220,773	789,169
Culture and recreation	1,127,793	-	76,390	1,204,183
Insurance and benefits	8,615,927	-	35,294	8,651,221
Debt service	7,570,697	-	-	7,570,697
Intergovernmental	5,002,971	-	-	5,002,971
Capital outlay	1,284,094	19,088,280	979,386	21,351,760
<b>Total Expenditures</b>	<b>107,076,016</b>	<b>19,088,280</b>	<b>10,695,986</b>	<b>136,860,282</b>
Excess (deficiency) of revenues over expenditures	(1,401,057)	(10,202,372)	863,873	(10,739,556)
<b>Other Financing Sources (Uses):</b>				
Proceeds of refunding debt	7,662,992	-	-	7,662,992
Payment to refunding escrow agent	(7,662,992)	-	-	(7,662,992)
Bond premium	33,029	-	-	33,029
Transfers in	1,433,594	-	1,167,591	2,601,185
Transfers out	(1,767,591)	-	(433,594)	(2,201,185)
<b>Total Other Financing Sources (Uses)</b>	<b>(300,968)</b>	<b>-</b>	<b>733,997</b>	<b>433,029</b>
Change in fund balance	(1,702,025)	(10,202,372)	1,597,870	(10,306,527)
Fund Balance, at Beginning of Year	17,933,507	7,405,735	12,969,233	38,308,475
Fund Balance, at End of Year	\$ 16,231,482	\$ (2,796,637)	\$ 14,567,103	\$ 28,001,948

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, 2015

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ (10,306,527)</b>
<ul style="list-style-type: none"><li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</li></ul>	
Capital outlay purchases	21,674,042
Depreciation	(5,916,932)
<ul style="list-style-type: none"><li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.</li></ul>	47,639
<ul style="list-style-type: none"><li>• Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance, do not provide current financial resources and therefore, are not reported as revenues in the governmental funds.</li></ul>	(825,933)
<ul style="list-style-type: none"><li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:</li></ul>	
Repayments of debt	4,737,346
<ul style="list-style-type: none"><li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	80,666
<ul style="list-style-type: none"><li>• Some expenses reported in the Statement of Activities, such as compensated absences and other post-employment benefits, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.</li></ul>	(5,598,764)
<b>Change in net position of governmental activities</b>	<b>\$ <u>3,891,537</u></b>

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, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues and Transfers In:</b>				
Property taxes	\$ 65,099,302	\$ 65,099,302	\$ 65,099,302	\$ -
Motor vehicle excise	4,110,000	4,110,000	4,311,193	201,193
Other excise	920,000	920,000	1,034,788	114,788
Penalties, interest and other taxes	232,300	232,300	286,690	54,390
Charges for services	1,775,500	1,775,500	2,023,422	247,922
Licenses and permits	822,200	822,200	821,404	(796)
Intergovernmental	31,445,511	31,445,511	31,591,573	146,062
Fines and forfeitures	125,000	125,000	115,969	(9,031)
Investment income	200,000	200,000	118,349	(81,651)
Miscellaneous	-	-	46,919	46,919
Transfers in	1,038,000	1,289,000	1,433,594	144,594
<b>Total Revenues and Transfers In</b>	<b>105,767,813</b>	<b>106,018,813</b>	<b>106,883,203</b>	<b>864,390</b>
<b>Expenditures and Transfers Out:</b>				
General government	9,159,727	9,498,035	9,449,829	48,206
Public safety	9,781,904	10,262,904	9,938,774	324,130
Education	57,823,698	57,823,698	57,776,729	46,969
Public works	4,144,423	4,850,181	4,719,623	130,558
Health and human services	592,930	594,769	568,396	26,373
Culture and recreation	1,214,434	1,214,434	1,130,513	83,921
Debt service	7,591,160	7,591,160	7,570,697	20,463
Insurance and benefits	9,960,386	9,475,240	8,909,420	565,820
Capital outlay	-	1,782,000	1,781,998	2
Intergovernmental	4,999,151	4,999,151	5,002,971	(3,820)
Transfers out	500,000	1,000,000	1,000,000	-
<b>Total Expenditures and Transfers Out</b>	<b>105,767,813</b>	<b>109,091,572</b>	<b>107,848,950</b>	<b>1,242,622</b>
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	-	(3,072,759)	(965,747)	2,107,012
<b>Other Financing Sources:</b>				
Use of bond premium	-	-	33,029	33,029
Use of free cash and overlay surplus	-	3,072,759	3,072,759	-
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 2,140,041	\$ 2,140,041

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

## TOWN OF FRANKLIN, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Non-major Solid Waste Fund	Total
<b>ASSETS</b>				
Current:				
Cash and short-term investments	\$ 3,719,888	\$ 6,824,581	\$ 666,150	\$ 11,210,619
Receivables, net of allowance for uncollectibles:				
User fees	1,573,901	1,948,221	204,715	3,726,837
Betterments	25,713	-	-	25,713
Total current assets	5,319,502	8,772,802	870,865	14,963,169
Noncurrent:				
Receivables, net of allowance for uncollectibles:				
Betterments	214,222	-	-	214,222
Land and construction in progress	679,558	3,621,871	46,931	4,348,360
Other capital assets, net of accumulated depreciation	10,874,563	42,667,839	359,100	53,901,502
Total noncurrent assets	11,768,343	46,289,710	406,031	58,464,084
	3,644	9,470	-	13,114
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>17,091,489</u>	<u>55,071,982</u>	<u>1,276,896</u>	<u>73,440,367</u>
<b>LIABILITIES</b>				
Current:				
Warrants and accounts payable	85,311	238,430	151,490	475,231
Accrued liabilities	7,682	158,804	-	166,486
Current portion of long-term liabilities:				
Bonds payable	298,196	1,337,090	-	1,635,286
Compensated absences	2,517	4,083	475	7,075
Total current liabilities	393,706	1,738,407	151,965	2,284,078
Noncurrent:				
Bonds payable, net of current portion	2,580,784	11,901,136	-	14,481,920
Compensated absences, net of current portion	47,814	77,578	9,030	134,422
Other post-employment benefits	195,080	328,426	-	523,506
Net pension liability	88,230	229,332	-	317,562
Total noncurrent liabilities	2,911,908	12,536,472	9,030	15,457,410
<b>TOTAL LIABILITIES</b>	<u>3,305,614</u>	<u>14,274,879</u>	<u>160,995</u>	<u>17,741,488</u>
<b>NET POSITION</b>				
Net investment in capital assets	8,675,141	33,051,484	406,031	42,132,656
Unrestricted	5,110,734	7,745,619	709,870	13,566,223
<b>TOTAL NET POSITION</b>	<u>\$ 13,785,875</u>	<u>\$ 40,797,103</u>	<u>\$ 1,115,901</u>	<u>\$ 55,698,879</u>

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, 2015

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Non-major Solid Waste Fund	Total
<b>Operating Revenues:</b>				
Charges for services	\$ 5,277,534	\$ 6,572,195	\$ 1,996,710	\$ 13,846,439
Total Operating Revenues	5,277,534	6,572,195	1,996,710	13,846,439
<b>Operating Expenses:</b>				
Personnel	622,356	1,111,873	57,715	1,791,944
Non-personnel	501,154	1,769,020	1,798,387	4,068,561
Depreciation	427,700	1,612,562	79,800	2,120,062
Intergovernmental	2,272,730	-	-	2,272,730
Total Operating Expenses	3,823,940	4,493,455	1,935,902	10,253,297
Operating Income	1,453,594	2,078,740	60,808	3,593,142
<b>Nonoperating Revenues (Expenses):</b>				
Interest income	10,055	16,084	2,182	28,321
Miscellaneous revenues	-	-	10,147	10,147
Interest expense	(85,658)	(582,436)	-	(668,094)
Total Nonoperating Revenues (Expenses)	(75,603)	(566,352)	12,329	(629,626)
Income Before Transfers	1,377,991	1,512,388	73,137	2,963,516
<b>Transfers:</b>				
Transfers out	(406,000)	(539,000)	(77,000)	(1,022,000)
Total Other Financing Sources (Uses)	(406,000)	(539,000)	(77,000)	(1,022,000)
Change in Net Position	971,991	973,388	(3,863)	1,941,516
Net Position at Beginning of Year, as restated	12,813,884	39,823,715	1,119,764	53,757,363
Net Position at End of Year	\$ 13,785,875	\$ 40,797,103	\$ 1,115,901	\$ 55,698,879

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, 2015

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Non-major Solid Waste Fund	Total
<b><u>Cash Flows From Operating Activities:</u></b>				
Receipts from customers and users	\$ 5,212,363	\$ 6,426,241	\$ 1,993,825	\$ 13,632,429
Payments to vendors	(2,754,070)	(1,819,551)	(1,810,774)	(6,384,395)
Payments to employees	(614,415)	(1,074,909)	(57,251)	(1,746,575)
Net Cash Provided By Operating Activities	1,843,878	3,531,781	125,800	5,501,459
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>				
Miscellaneous revenues	-	-	10,146	10,146
Transfer out	(406,000)	(539,000)	(77,000)	(1,022,000)
Net Cash (Used For) Noncapital Financing Activities	(406,000)	(539,000)	(66,854)	(1,011,854)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>				
Acquisition and construction of capital assets	(333,760)	(2,621,573)	-	(2,955,333)
Principal payments on bonds	(368,727)	(1,378,894)	-	(1,747,621)
Interest expense	(87,178)	(496,435)	-	(583,613)
Net Cash (Used For) Capital and Related Financing Activities	(789,665)	(4,496,902)	-	(5,286,567)
<b><u>Cash Flows From Investing Activities:</u></b>				
Investment income	10,055	16,083	2,182	28,320
Net Change in Cash and Short-Term Investments	658,268	(1,488,038)	61,128	(768,642)
Cash and Short-Term Investments, Beginning of Year	3,061,620	8,312,619	605,022	11,979,261
Cash and Short-Term Investments, End of Year	\$ 3,719,888	\$ 6,824,581	\$ 666,150	\$ 11,210,619
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>				
Operating income	\$ 1,453,594	\$ 2,078,740	\$ 60,808	\$ 3,593,142
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	427,700	1,612,562	79,800	2,120,062
Changes in assets and liabilities:				
User fees receivable	(65,171)	(145,955)	(2,885)	(214,011)
Warrants and accounts payable	19,814	(50,531)	(12,387)	(43,104)
Net pension liability	4,063	10,560	-	14,623
Other liabilities	3,878	26,405	464	30,747
Net Cash Provided By Operating Activities	\$ 1,843,878	\$ 3,531,781	\$ 125,800	\$ 5,501,459

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

TOWN OF FRANKLIN, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2015

	Other Post Employment Benefits Trust <u>Fund</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<b><u>ASSETS</u></b>			
Cash and short-term investments	\$ 71,249	\$ 9,772	\$ 384,761
Investments	1,385,765	99,082	-
Departmental receivable	-	-	271,650
Other assets	<u>-</u>	<u>-</u>	<u>1,809,338</u>
Total Assets	1,457,014	108,854	2,465,749
<b><u>LIABILITIES AND NET POSITION</u></b>			
Warrants payable	-	-	74,273
Other liabilities	<u>-</u>	<u>-</u>	<u>2,391,476</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,465,749</u>
<b><u>NET POSITION</u></b>			
Total net position held in trust	\$ <u><u>1,457,014</u></u>	\$ <u><u>108,854</u></u>	\$ <u><u>-</u></u>

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

TOWN OF FRANKLIN, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015

	Other Post Employment Benefits Trust <u>Fund</u>	Private Purpose Trust Funds
<b>Additions:</b>		
Contributions	\$ -	\$ 7,150
Investment income	<u>8,088</u>	<u>881</u>
Total additions	8,088	8,031
<b>Deductions:</b>		
Scholarship payments	<u>-</u>	<u>18,400</u>
Total deductions	-	18,400
<b>Other financing sources:</b>		
Transfers in	<u>622,000</u>	<u>-</u>
Total other financing sources	<u>622,000</u>	<u>-</u>
Net increase	630,088	(10,369)
<b>Net position:</b>		
Beginning of year	<u>826,926</u>	<u>119,223</u>
End of year	\$ <u><u>1,457,014</u></u>	\$ <u><u>108,854</u></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 2015, 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 interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

##### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with

a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary funds:

- Sewer Fund
- Water Fund

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

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

#### D. Cash and Short-Term Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

#### E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one

year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the 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 market value.

*F. Property Tax Limitations*

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2015 tax levy reflected an excess capacity of \$33,076.

*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 estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 50
Vehicles	5
Office equipment	5
Computer equipment	5



#### H. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

#### J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

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

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

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

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. **Stewardship, Compliance, and Accountability**

A. Budgetary Information

The Town Administrator presents, on behalf of the Finance Committee, an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by Town Council, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at Town Council meetings as required by changing conditions.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

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

*B. Budgetary Basis*

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

*C. Budget/GAAP Reconciliation*

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 105,674,959	\$ 107,076,016
Other financing sources/uses (GAAP Basis)	<u>9,129,615</u>	<u>9,430,583</u>
Subtotal (GAAP Basis)	114,804,574	116,506,599
Adjust tax revenue to accrual basis	(182,356)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(5,362,226)
Add end-of-year appropriation carryforwards to expenditures	-	4,972,918
Reverse effect of non-budgeted Gross up for refunding	(7,662,992)	(7,662,992)
Reverse effect of combining stabilization funds with general fund per GASB 54	(46,006)	(364,591)
Record use of bond premium	(33,029)	-
Reclass non-budgeted items	<u>3,012</u>	<u>(240,758)</u>
Budgetary Basis	<u>\$ 106,883,203</u>	<u>\$ 107,848,950</u>

#### D. Deficit Fund Equity

The following funds had deficits as of June 30, 2015:

School grants	\$ (34,256)
Town grants	(479,957)
Major capital project fund	<u>(2,796,637)</u>
	\$ <u>(3,310,850)</u>

The temporary deficits in these funds will be eliminated through future intergovernmental 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 sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess."

As of June 30, 2015, \$22,929,692 of the Town's bank balance of \$38,431,654 was exposed to custodial credit risk as uninsured 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**

#### A. Credit Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year-end</u>					<u>Not Rated</u>
		<u>Aaa</u>	<u>A1</u>	<u>A2</u>	<u>Baa1</u>		
U.S. Treasury notes	\$ 3,371	\$ 3,371	\$ -	\$ -	\$ -	\$ -	-
Federal agency securities	5,028	4,693	-	-	-	-	335
Corporate bonds	1,416	31	404	250	731	-	-
Certificates of deposits	1,540	-	-	-	-	-	1,540
Mutual funds	644	-	-	-	-	-	644
Total investments	<u>\$ 11,999</u>	<u>\$ 8,095</u>	<u>\$ 404</u>	<u>\$ 250</u>	<u>\$ 731</u>	<u>\$ -</u>	<u>\$ 2,519</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, 2015, the Town did not have any investments exposed to custodial credit risk.

**C. Concentration of Credit Risk**

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

Federal Home Loan Bank	\$ 1,276
Federal National Mortgage Association	664
Federal Home Loan Mortgage	<u>1,821</u>
Total	<u>\$ 3,761</u>

#### D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy states the Town will manage interest rate risk by managing duration in the account.

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

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. Treasury notes	\$ 3,371	\$ -	\$ 2,454	\$ 917	\$ -
Federal agency securities	5,028	293	4,106	565	64
Corporate bonds	1,416	367	1,049	-	-
Certificates of deposit	1,540	1,113	427	-	-
Total	<u>\$ 11,355</u>	<u>\$ 1,773</u>	<u>\$ 8,036</u>	<u>\$ 1,482</u>	<u>\$ 64</u>

#### E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town's policy for foreign currency risk states the Town will not invest in any investment exposed to foreign currency risk.

### **5. Taxes Receivable**

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

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

Taxes receivable at June 30, 2015 consist of the following:

Real Estate		
2015	\$ 471,534	
2014	2,314	
2013	1,714	
2012	2,308	
Prior	<u>354</u>	
		478,224
Personal Property		
2015	29,469	
2014	11,282	
2013	16,240	
2012	12,871	
Prior	<u>91,748</u>	
		161,610
Tax Liens		666,201
Deferred Taxes		10,269
Other		<u>1,369</u>
Total		<u>\$ 1,317,673</u>

#### 6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 235,137	\$ -
Excises	\$ 276,158	\$ -
User fees	\$ 179,353	\$ -
Sewer	\$ -	\$ 46,977
Water	\$ -	\$ 53,643
Trash	\$ -	\$ 27,662

#### 7. Intergovernmental Receivables

This balance represents Massachusetts School Building Authority grants as well as certain other fiscal year 2015 grant funds. Future receipts are as follows:

	<u>MSBA</u>	<u>Other</u>	<u>Total</u>
2016	\$ <u>825,933</u>	\$ <u>527,226</u>	\$ <u>1,353,159</u>
	\$ <u>825,933</u>	\$ <u>527,226</u>	\$ <u>1,353,159</u>

## 8. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 144,532	\$ 646	\$ -	\$ 145,178
Machinery, equipment, and furnishings	10,686	432	(512)	10,606
Infrastructure	76,276	1,714	-	77,990
Total capital assets, being depreciated	231,494	2,792	(512)	233,774
Less accumulated depreciation for:				
Buildings and improvements	(58,268)	(3,696)	-	(61,964)
Machinery, equipment, and furnishings	(7,272)	(600)	512	(7,360)
Infrastructure	(44,167)	(1,621)	-	(45,788)
Total accumulated depreciation	(109,707)	(5,917)	512	(115,112)
Total capital assets, being depreciated, net	121,787	(3,125)	-	118,662
Capital assets, not being depreciated:				
Land	17,127	250	-	17,377
Construction in progress	82,431	19,267	(635)	101,063
Total capital assets, not being depreciated	99,558	19,517	(635)	118,440
Governmental activities capital assets, net	\$ 221,345	\$ 16,392	\$ (635)	\$ 237,102
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 281	\$ -	\$ -	\$ 281
Machinery, equipment, and furnishings	1,363	227	-	1,590
Infrastructure	97,450	2,728	-	100,178
Total capital assets, being depreciated	99,094	2,955	-	102,049
Less accumulated depreciation for:				
Buildings and improvements	(116)	(6)	-	(122)
Machinery, equipment, and furnishings	(1,066)	(173)	-	(1,239)
Infrastructure	(44,846)	(1,940)	-	(46,786)
Total accumulated depreciation	(46,028)	(2,119)	-	(48,147)
Total capital assets, being depreciated, net	53,066	836	-	53,902
Capital assets, not being depreciated:				
Land	4,348	-	-	4,348
Total capital assets, not being depreciated	4,348	-	-	4,348
Business-type activities capital assets, net	\$ 57,414	\$ 836	\$ -	\$ 58,250



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

Governmental Activities:	
General government	\$ 138
Public safety	398
Education	2,702
Public works	2,231
Health and human services	152
Culture and recreation	<u>296</u>
Total depreciation expense - governmental activities	\$ <u>5,917</u>
Business-Type Activities:	
Sewer	\$ 427
Water	1,612
Solid waste	<u>80</u>
Total depreciation expense - business-type activities	\$ <u>2,119</u>

#### 9. Deferred Outflows of Resources

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

The following is a summary of deferred outflow of resources balances as of June 30, 2015:

	Entity-wide Basis	
	Governmental Activities	Business-type Activities
Net difference between projected and actual pension investment earnings	\$ 1,648,021	\$ 13,114

#### 10. Warrants and Accounts Payable

Warrants payable represent 2015 expenditures paid by July 15, 2015, as permitted by law. Accounts payable represent additional 2015 expenditures paid after July 15, 2015.

## 11. Anticipation Notes Payable

The Town had the following bond anticipation notes outstanding at June 30, 2015:

	Interest Rate	Date of Issue	Date of Maturity	Balance at 6/30/15
High School construction	1.50%	5/22/15	5/20/16	\$ 3,000,000
Library reconstruction	1.50%	5/22/15	5/20/16	250,000
Total				<u>\$ 3,250,000</u>

The following summarizes activity in notes payable during fiscal year 2015:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
High School construction	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000
Library reconstruction	-	250,000	-	250,000
Total	<u>\$ -</u>	<u>\$ 3,250,000</u>	<u>\$ -</u>	<u>\$ 3,250,000</u>

## 12. Long-Term Debt

### A. General Obligation Bonds

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

	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/15
<u>Governmental Activities:</u>				
School project refunding	04/01/04	11/15/15	2.00 - 5.00	\$ 302,250
Outdoor recreational facilities	03/15/05	03/15/19	3.25 - 5.50	1,006,500
Outdoor recreational facilities	03/15/05	03/15/19	3.25 - 5.50	201,500
Keller-Sullivan School	03/15/05	03/15/25	3.25 - 5.50	3,714,001
Horace Mann School (1)	03/15/06	03/15/26	3.75 - 5.00	270,000
Horace Mann School (2)	03/15/06	03/15/26	3.75 - 5.00	30,000
DPW garage	03/15/06	03/15/24	3.75 - 5.00	40,000
General obligation (various uses)	03/01/09	03/01/28	2.00 - 5.00	11,600,000
School building repairs	05/02/12	06/30/22	2.00 - 4.00	1,400,000
General obligation refunding 2002	12/15/11	06/30/23	2.00 - 4.00	262,000
General obligation refunding 2003	12/15/11	06/30/23	2.00 - 4.00	3,094,000
General obligation refunding 2004	05/02/12	06/30/22	2.00 - 4.00	1,207,000
High School construction	08/15/13	06/15/38	4.13 - 5.00	43,005,000
General obligation refunding 2015	02/25/15	03/15/27	2.00 - 4.00	3,135,000
Total Governmental Activities:				<u>\$ 69,267,251</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 6/30/15</u>
MWPAT Title V	09/28/01	08/01/19	4.50 - 5.75	\$ 8,480
Sewer	03/15/06	03/15/26	3.75 - 5.00	200,000
Sewer refunding 2002	12/15/11	06/30/23	2.00 - 4.00	295,000
Sewer refunding 2004	05/02/12	06/30/22	2.00 - 4.00	447,500
Sewer refunding 2015	02/25/15	03/15/27	2.00 - 4.00	1,928,000
Water treatment facility refunding	04/01/04	11/15/15	2.00 - 5.00	162,749
Water treatment facility DW-02-12	11/15/04	08/01/24	2.50 - 5.25	3,290,977
Water mains	03/15/05	03/15/25	4.26	1,523,000
Water treatment plant	04/01/07	04/01/27	3.45 - 4.125	30,000
Water improvements	04/01/07	04/01/27	3.45 - 4.125	450,000
Water refunding 2002	12/15/11	06/30/23	2.00 - 4.00	589,000
Water refunding 2004	05/02/12	06/30/22	2.00 - 4.00	670,500
Water line replacement	08/15/13	06/15/28	4.00 - 5.00	4,665,000
Water refunding 2015	02/25/15	03/15/27	2.00 - 4.00	1,857,000
Total Business-Type Activities:				<u>\$ 16,117,206</u>

#### B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2015 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,104,250	\$ 2,814,312	\$ 6,918,562
2017	3,840,000	2,647,559	6,487,559
2018	3,876,000	2,494,164	6,370,164
2019	3,910,000	2,341,504	6,251,504
2020	3,642,000	2,206,054	5,848,054
2021-2025	17,405,001	8,800,734	26,205,735
2026-2029	11,110,000	5,709,175	16,819,175
Thereafter	21,380,000	4,528,275	25,908,275
Total	<u>\$ 69,267,251</u>	<u>\$ 31,541,777</u>	<u>\$ 100,809,028</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, 2015.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,635,286	\$ 571,423	\$ 2,206,709
2017	1,479,118	493,197	1,972,315
2018	1,427,698	436,846	1,864,544
2019	1,443,069	386,772	1,829,841
2020	1,450,650	336,680	1,787,330
2021-2025	6,811,385	921,853	7,733,238
2026-2029	1,870,000	131,200	2,001,200
Total	<u>\$ 16,117,206</u>	<u>\$ 3,277,971</u>	<u>\$ 19,395,177</u>

### C. Changes in General Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/14	Additions	Reductions	Total Balance 6/30/15	Less Current Portion	Equals Long-Term Portion 6/30/15
<u>Governmental Activities</u>						
Bonds payable	\$ 74,004	\$ -	\$ (4,737)	\$ 69,267	\$ (4,104)	\$ 65,163
Other:						
Compensated absences	1,776	202	(12)	1,966	(98)	1,868
Other post-employment benefits	37,237	7,826	(2,608)	42,455	-	42,455
Net pension liability	38,071	1,838	-	39,909	-	39,909
Totals	<u>\$ 151,088</u>	<u>\$ 9,866</u>	<u>\$ (7,357)</u>	<u>\$ 153,597</u>	<u>\$ (4,202)</u>	<u>\$ 149,395</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 17,865	\$ -	\$ (1,748)	\$ 16,117	\$ (1,635)	\$ 14,482
Other:						
Compensated absences	122	19	-	141	(7)	134
Other post-employment benefits	499	62	(38)	523	-	523
Net pension liability	303	15	-	318	-	318
Totals	<u>\$ 18,789</u>	<u>\$ 96</u>	<u>\$ (1,786)</u>	<u>\$ 17,099</u>	<u>\$ (1,642)</u>	<u>\$ 15,457</u>

### 13. Deferred Inflows of Resources

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

The following is a summary of deferred inflow of resources balances as of June 30, 2015:

	Entity-wide Basis	Fund Basis
	Governmental	Governmental Funds
	Activities	General Fund
Uncommitted taxes	\$ 6,828	\$ 6,828
Committed taxes	-	1,137,767
Committed excises	-	543,486
Billed user fees	-	597,844
Total	<u>\$ 6,828</u>	<u>\$ 2,285,925</u>

### 14. Restricted Net Position

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

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

## 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, 2015:

**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, 2015:

	General Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 503,930	\$ 503,930
Total Nonexpendable	-	-	503,930	503,930
Restricted				
Special revenue funds:				
School revolving funds	-	-	3,248,326	3,248,326
School circuit breaker	-	-	1,980,294	1,980,294
School choice	-	-	1,176,732	1,176,732
School grants and other funds	-	-	136,198	136,198
Town revolving funds	-	-	663,951	663,951
Town grants and other funds	-	-	970,939	970,939
Receipts reserved	-	-	903,322	903,322
Capital projects funds:				
Other bonded projects	-	-	1,106,359	1,106,359
Expendable trust funds:				
Affordable housing	-	-	1,313,254	1,313,254
Open space acquisition	-	-	1,074,151	1,074,151
Other trust funds	-	-	567,207	567,207
Total Restricted	-	-	13,140,733	13,140,733
Committed				
Reserve for continuing resolutions	3,894,319	-	-	3,894,319
Capital improvement stabilization funds	1,571,714	-	-	1,571,714
Expendable insurance reserves	-	-	1,436,653	1,436,653
Total Committed	5,466,033	-	1,436,653	6,902,686
Assigned				
Budgetary encumbrances	1,078,599	-	-	1,078,599
Total Assigned	1,078,599	-	-	1,078,599
Unassigned				
General fund	3,447,389	-	-	3,447,389
General stabilization fund	4,915,019	-	-	4,915,019
Budget stabilization fund	1,324,442	-	-	1,324,442
Special revenue funds:				
School grants	-	-	(34,256)	(34,256)
Town grants	-	-	(479,957)	(479,957)
Major capital project funds				
High school construction fund	-	(2,796,637)	-	(2,796,637)
Total Unassigned	9,686,850	(2,796,637)	(514,213)	6,376,000
Total Fund Balance	\$ 16,231,482	\$ (2,796,637)	\$ 14,567,103	\$ 28,001,948

## 16. Interfund Transfers

The government reports interfund transfers between many of its funds. The sum of all transfers presented in the table below agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial

statements. The following is an analysis of interfund transfers made in fiscal year 2015:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds:</u>		
General fund	\$ 1,433,594	\$ 1,767,591
<u>Nonmajor Funds:</u>		
Special revenue funds	3,000	182,589
Capital project funds	914,591	-
Expendable trust funds	<u>250,000</u>	<u>251,005</u>
Subtotal Nonmajor Funds	<u>1,167,591</u>	<u>433,594</u>
Total Governmental Funds	2,601,185	2,201,185
<u>Business-Type Funds</u>		
Sewer fund	-	406,000
Water fund	-	539,000
Solid waste fund	<u>-</u>	<u>77,000</u>
Subtotal Business-type funds	<u>-</u>	<u>1,022,000</u> *
<u>Fiduciary Funds</u>		
Other post-employment benefits trust	<u>622,000</u>	<u>-</u>
Subtotal Fiduciary Funds	<u>622,000</u>	<u>-</u>
Grand Total	\$ <u>3,223,185</u>	\$ <u>3,223,185</u>

\* Includes \$1,000,000 of indirect costs and \$22,000 transfer to OPEB Trust.

## 17. Commitments and Contingencies

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

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

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

## 18. Post-Employment Healthcare and Life Insurance Benefits

### Other Post-Employment Benefits

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

#### A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2013, the actuarial valuation date, approximately 502 retirees and 955 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

#### B. Benefits Provided

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

#### C. Funding Policy

Post 1990 retirees contribute between 32% and 50% of the cost of the health plan and pre-1990 retirees contribute between 16% and 32%, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

#### D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2015,



the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2015.

Normal Cost	\$ 4,234,678
Amortization of unfunded actuarially accrued liability	<u>3,303,264</u>
Annual Required Contribution (ARC)	7,537,942
Interest on net OPEB obligation	1,698,115
Adjustment to ARC	<u>(1,347,292)</u>
Annual OPEB cost	7,888,765
Expected benefit payments (pay as you go)	(2,023,822)
Contributions to OPEB Trust	<u>(622,000)</u>
Increase in net OPEB obligation	5,242,943
Net OPEB obligation - beginning of year	<u>37,735,879</u>
Net OPEB obligation - end of year	<u>\$ 42,978,822</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 7,888,765	34%	\$ 42,978,822
2014	\$ 7,793,356	30%	\$ 42,978,822
2013	\$ 7,354,066	28%	\$ 32,308,599

The Town's net OPEB obligation as of June 30, 2015 is recorded as a long-term liability on the Statement of Net Position.

*E. Funded Status and Funding Progress*

The funded status of the plan as of June 30, 2015, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 93,975,598
Actuarial value of plan assets	<u>1,455,552</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 92,520,046</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>1.5%</u>
Covered payroll (active plan members)	<u>\$ 57,381,408</u>
UAAL as a percentage of covered payroll	<u>161.2%</u>

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

*F. Actuarial Methods and Assumptions*

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

In the June 30, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was \$1,455,552. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend rate of 6.0% which decreases to a 4.5% long-term rate for all healthcare benefits after four years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.0%.

**19. 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 publically available from the System located at 480 Neponset Street, Canton, Massachusetts 02021.

*B. Benefits Provided*

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining 20 years of service. The plan also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the Town payroll on January 1, 1978, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. 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.

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.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

C. 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 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%

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, 2015 was \$3,661,686, which was equal to its annual required contribution.

D. 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.

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

At June 30, 2015, the Town reported a liability of \$40,226,086 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. The Town's proportion of the net pension liability was based on 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, 2014, the Town's proportion was 7.756292%.

For the year ended June 30, 2015, the Town recognized pension expense of \$4,100,716. In addition, the Town reported deferred outflows of

resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ <u>1,661,135</u>
Total	\$ <u><u>1,661,135</u></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:		
2016	\$	415,283
2017		415,284
2018		415,284
2019		<u>415,284</u>
Total	\$	<u><u>1,661,135</u></u>

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.50%
Projected salary increases	4.00%
Investment rate of return	8.25%
Cost of living increases	3% of the first \$15,000 of retirement

Mortality rates were based on the RP-2000 Mortality Table adjusted with Scale AA. Mortality for disabled members is represented by the RP-2000 Mortality Table set forward two years for all disabled members.

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%	7.7%
International equities	17.5%	6.4%
Fixed income	19.0%	1.9%
Real estate	9.0%	5.2%
Private equity	8.5%	11.9%
Hedge funds	9.0%	5.5%
Real assets	5.0%	5.5%
Total	<u>100.00%</u>	

Discount Rate: The discount rate used to measure the total pension liability as of December 31, 2014 was 8.25%. 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.

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 8.25%, 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 (7.25%) or 1 percentage-point higher (9.25%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (7.25%)</u>	<u>Current Discount Rate (8.25%)</u>	<u>1% Increase (9.25%)</u>
June 30, 2015	\$ 50,481,966	\$ 40,226,086	\$ 31,411,751

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

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

A. Plan Description

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

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

B. Benefits Provided

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

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

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by

employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

C. Contributions

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

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

D. Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of January 1, 2014, rolled back to June 30, 2013. This valuation used the following assumptions:

- (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Mortality rates were as follows:
  - Pre-retirement - reflects RP-2000 Employees table adjusted for “white-collar” employment projected 22 years with Scale AA (gender distinct)
  - Post-retirement - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct)
  - Disability – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males.

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, 2014 and 2013 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	
		<u>2014</u>	<u>2013</u>
Global equity	43.0%	7.2%	7.70%
Core fixed income	13.0%	2.5%	2.00%
Hedge funds	10.0%	5.5%	4.75%
Private equity	10.0%	8.8%	9.00%
Real estate	10.0%	6.3%	6.00%
Value added fixed income	10.0%	6.3%	6.30%
Timeber/natural resources	4.0%	5.0%	5.00%
Total	<u>100.0%</u>		

#### E. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### F. Sensitivity Analysis

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

<u>Fiscal Year Ended</u>	<u>1% Decrease to 7%</u>	<u>Current Discount Rate 8%</u>	<u>1% Increase to 9%</u>
June 30, 2013	\$ 21,426,000	\$ 17,234,000	\$ 13,672,000
June 30, 2014	\$ 20,247,000	\$ 15,896,000	\$ 12,200,000

#### G. 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.

#### H. Commonwealth Proportions Associated with the Town

In fiscal year 2014 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense associated with the Town was \$92,862,306 and \$6,451,590 respectively, based on a proportionate share of 0.584174%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide Statement of Activities.

### **21. Beginning Net Position Restatement**

The beginning (July 1, 2014) net position of the Town has been restated as follows:

Government-Wide Financial Statements:

	<u>Business-Type Activities</u>			
	<u>Governmental Activities</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
As previously reported	\$ 143,971,034	\$ 14,998,051	\$ 42,738,375	\$ 201,707,460
GASB 68 implementation	(38,070,840)	(84,167)	(218,772)	(38,373,779)
Long-term debt reclassification	<u>4,795,888</u>	<u>(2,100,000)</u>	<u>(2,695,888)</u>	<u>-</u>
As restated	<u>\$ 110,696,082</u>	<u>\$ 12,813,884</u>	<u>\$ 39,823,715</u>	<u>\$ 163,333,681</u>

### **22. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

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

**June 30, 2015**

**(Unaudited)**

**(Amounts Expressed in thousands)**

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/15	\$ 1,456	\$ 93,976	\$ 92,520	1.5%	\$ 57,381	161.2%
06/30/13	\$ -	\$ 89,054	\$ 89,054	0.0%	\$ 53,066	167.8%
06/30/11	\$ -	\$ 84,749	\$ 84,749	0.0%	\$ 52,999	159.9%
06/30/09	\$ -	\$ 79,942	\$ 79,942	0.0%	\$ 53,737	148.8%
06/30/07	\$ -	\$ 116,638	\$ 116,638	0.0%	N/A	N/A

See Independent Auditors' Report.

**TOWN OF FRANKLIN, MASSACHUSETTS**  
**SCHEDULE OF PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2015**  
**(Unaudited)**

<u>Norfolk County Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	7.756292%
Proportionate share of the net pension liability for the most recent measurement date	\$ 40,226,086
Covered-employee payroll for the most recent measurement date	\$ 19,038,422
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	211.29%
Plan fiduciary net position as a percentage of the total pension liability	60.12%
<u>Massachusetts Teachers' Retirement System</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	0.584174%
Town's proportionate share of the net pension liability for the most recent measurement date	\$ -
Commonwealth of Massachusetts' proportionate share of the total net pension liability associated with the Town	<u>92,862,306</u>
Total net pension liability associated with the Town	<u>\$ 92,862,306</u>
Covered-employee payroll for the most recent measurement date	\$ 35,818,594
Proportionate share of the net pension liability as a percentage of covered-employee payroll	259.26%
Plan fiduciary net position as a percentage of the total pension liability	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

SCHEDULE OF CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015  
(Unaudited)

<u>Norfolk County Retirement System:</u>	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 3,661,686
Contributions in relation to the contractually required contribution	<u>3,661,686</u>
Contribution deficiency (excess)	\$ <u>-</u>
Covered-employee payroll for the current fiscal year	\$ 19,038,422
Contributions as a percentage of covered-employee payroll	19.23%

*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**

**Management Letter**

**For the Year Ended June 30, 2015**

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Additional Offices:

Nashua, NH  
Manchester, NH  
Greenfield, MA  
Ellsworth, ME

To the Town Council  
Town of Franklin, Massachusetts

In planning and performing our audit of the basic financial statements of the Town of Franklin, Massachusetts as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we became aware of a matter that we believe represents an opportunity for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning that matter.

The Town's written response to our comment and suggestions has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.



The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance, including overseeing the financial reporting process, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

After you have had an opportunity to consider our comment and recommendations, we would be pleased to discuss them with you.

*Melanson Heath*

February 10, 2016

## **STATUS OF PRIOR YEAR RECOMMENDATION:**

### **1. Develop a More Formal Risk Assessment Process**

#### Prior Year Issue:

In the prior year, we recommended the Town implement a more formal risk assessment process.

#### Current Year Status:

In fiscal year 2015, the Comptroller and Treasurer/Collector continued the process of developing a formal Risk Assessment and Control Activities worksheet to analyze departmental-level and Town-wide risks.

#### Further Action Needed:

We recommend the Comptroller and Treasurer/Collector continue working towards developing a risk assessment matrix that can be used by all managers to assess the risk factors within their departments and continue performing periodic internal audits.

We also recommend the Town expand its risk assessment process to include a formal assessment of the risks associated with the Town's increasing use of information technology, particularly in the area of electronic banking. This assessment should include written documentation of policies and procedures the Town has established to protect the Town's assets and address cyber risk.

#### Town's Response:

The Town continues to perform internal audits of departments. The Treasurer/Collector, Comptroller and IT Director will work towards establishing policies and procedures as it relates to electronic banking and other areas where there is potential cyber risk.

## **CURRENT YEAR RECOMMENDATION:**

### **2. Prepare for New Single Audit Requirements**

In fiscal year 2016, there will be significant new requirements related to single audits. In addition to raising the threshold for requiring a single audit from \$500,000 to \$750,000, there are new requirements of OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (UG) for single audits. The following summarizes the major changes:

- Financial and program management –
  - Establish written policies and procedures for the following:
    - Cash management
    - Determination of allowable costs

- Employee travel
  - Implement internal controls that comply with COSO's "Internal Control Integrated Framework"
- Property standards – equipment –
  - Maintain property records that include description, serial/identification number, source of funding, acquisition date, cost, location, and ultimate disposition data
  - Conduct a physical inventory every 2 years and reconcile to property/fixed asset records
  - Implement a control system to safeguard property from loss, damage, theft
- Procurement –
  - Establish written policies and procedures for the following:
    - Procurement in compliance with the new procurement standards
    - Standards of conduct covering conflicts of interest
    - Process for conducting proposal evaluations
  - Maintain certain records to detail the history of procurement
  - Implement oversight procedures to ensure contractors perform in accordance with terms
- Subrecipient monitoring and management –
  - Establish written policies and procedures for the following:
    - Communication of award requirements
    - Responsibilities for monitoring subrecipients
    - Process for monitoring
    - Methodology for resolving findings
    - Requirements for audits

We recommend that the Town prepare for the single audit changes by training staff and establishing the aforementioned documented policies and procedures. This will help the Town to minimize the risk of new single audit compliance findings in fiscal year 2016.

Town's Response:

The Town will develop written policies and procedures as outlined in the recommendation.

# Town of Franklin

Town Administrator  
Tel: (508) 520-4949

Fax: (508) 520-4903



355 East Central Street  
Franklin, Massachusetts 02038-1352

February 4, 2016

Dear Licensee:

I am writing to invite you to the March 9, 2016 Town Council meeting at 7:00PM for a discussion on a bylaw amendment proposal to mandate that all managers, bartenders and employees of on-premises and off-premises liquor licensed establishments be required to participate in a safe-service-of alcohol training program.

I have attached a current draft of the bylaw amendment proposal that was discussed at the February 3, 2016 Council meeting.

If you have any questions, please feel free to contact me or my Deputy, Jamie Hellen, in our office prior to the meeting.

Sincerely,



Jeffrey D. Nutting  
Town Administrator





(DRAFT)

Sponsor: Administration

**TOWN OF FRANKLIN  
BYLAW AMENDMENT 16-754  
CHAPTER 47, ALCOHOLIC BEVERAGES**

**A BYLAW TO AMEND THE CODE OF THE TOWN OF FRANKLIN AT CHAPTER 47.**

**BE IT ENACTED BY THE FRANKLIN TOWN COUNCIL** that Chapter 47 of the Code of the Town of Franklin is amended by adding a new Section 47-12.1 as follows:

**47-12.1 Mandatory Alcohol Awareness Training**

The Manager, any Alternate Manager(s), all bartenders, and all other employees selling or serving alcohol must participate in a safe-service-of-alcohol training program designed for the specific type of liquor license held by the licensee (e.g., for on-premises consumption versus for retail package store sales) to train persons serving or selling alcohol in methods of observation and detection to avoid serving or selling alcohol to intoxicated persons and/or minors. Only insurance industry-approved and qualified training programs will satisfy this training requirement. All Managers and Alternate Managers must receive in-person training in order to be employed as a Manager or Alternate Manager. Non-Managerial employees selling or serving alcohol must be trained within fourteen (14) days of employment by the licensee, and may satisfy this training requirement through on-line training. All persons subject to this training requirement must be retrained every three years in the manner specified by this Section for that position. The licensee shall maintain on the licensed premises and make available for inspection at all times by Town Council or its agent(s) a copy of the certification card and other proof showing that each person subject to this training requirement has been trained in the manner specified by this Section within the prior three (3) years.

This bylaw amendment shall become effective on and after January 1, 2017.

DATED: March \_\_\_\_\_, 2016

VOTED:  
UNANIMOUS \_\_\_\_\_

A True Record Attest:

YES \_\_\_\_\_ NO \_\_\_\_\_

ABSTAIN \_\_\_\_\_

Teresa M. Burr  
Town Clerk

ABSENT \_\_\_\_\_

\_\_\_\_\_  
Judith Pond Pfeffer, Clerk  
Franklin Town Council

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# OFFICE OF THE TOWN ADMINISTRATOR

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## MEMORANDUM

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**DATE:** March 4, 2016  
**TO:** Town Council  
**FROM:** Jeffrey D. Nutting, Town Administrator  
**RE:** Sale of Lot 2 on Grove Street (Nu Style)

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Please find attached a resolution and map of a portion of the Nu- Style property I am proposing we sell. This lot is on the south side of mine brook and not connected to the rest of the Nu- Style property. There is no benefit to the town to hold onto to this land.

I am happy to answer any questions that you may have.



Sponsor: Administration

## TOWN OF FRANKLIN

### RESOLUTION 16-11

#### **DECLARATION OF TOWN-OWNED LAND ON GROVE STREET (PORTION OF FORMER NU-STYLE PROPERTY) AS SURPLUS AND AVAILABLE FOR DISPOSITION**

**WHEREAS**, Town owns a parcel of land on Grove Street shown on a plan of land captioned "Plan of Land Grove Street and Old Grove Street Franklin, Massachusetts for Town of Franklin 355 East Central Street Franklin, Massachusetts December 7, 2015 Scale 1" = 20'" prepared by United Consultants, Inc. and recorded at Norfolk County Registry of Deeds in Plan Book 647 at Page 20, and

**WHEREAS**, Town is not currently using and does not intend to use "Lot 2" shown on said plan and containing 17,267 square feet, more or less, according to said plan, with the exception of a twenty-foot wide sewer easement abutting Grove Street, shown on said plan,

**NOW, THEREFORE, BE IT RESOLVED** that the Town of Franklin, acting by and through its Town Council:

1. Declares the parcel of Town-owned land shown as "Lot 2" on the plan of land described above to be no longer needed for municipal purposes, except for the twenty-foot wide sewer easement also described above, and therefore to be surplus and available for disposition, (sale) subject to the reserved sewer easement abutting Grove Street, shown on said plan.
2. Directs the Town's Chief Procurement Officer to prepare and issue an "Invitation to Bid" or "Request for Proposals" for the disposition (sale) of said parcel in accordance with the requirements of G.L. Chapter 30B, Section 16, containing a minimum bid price of \$18,000 and such other terms and conditions as the Town Administrator determines to be in Town's best interests.
3. Directs the Town Administrator to submit all qualifying responses to the "Invitation to Bid" or "Request for Proposals", together with his and Planning Department's recommendations, to the Town Council for its consideration and potential acceptance of the bid or proposal it determines to be most advantageous to the Town, the Council expressly reserving its right to reject all bids and/or proposals if, in its sole discretion, it deems none of the bids or proposals to be in the Town's best interests, financial or otherwise.

This Resolution shall become effective according to the rules and regulations of the Town of Franklin Home Rule Charter.

**DATED: March \_\_\_\_\_, 2016**

**VOTED:**

**UNANIMOUS \_\_\_\_\_**

**A True Record Attest:**

**YES \_\_\_\_\_ NO \_\_\_\_\_**

**ABSTAIN \_\_\_\_\_**

**Teresa M. Burr  
Town Clerk**

**ABSENT \_\_\_\_\_**

---

**Judith Pond Pfeffer, Clerk  
Franklin Town Council**





APPROVAL UNDER SUB  
NOT F  
FRANKLIN P



Sponsor: Administration

## TOWN OF FRANKLIN

### RESOLUTION 16-12 (Revised)

#### AUTHORIZATION FOR MUNICIPAL AGGREGATION OF ELECTRICITY

**WHEREAS**, the Town Council unanimously adopted Resolution 15-75 on December 16, 2015 authorizing the Town Administrator to administer a municipal aggregation program on behalf of the Town.

**NOW, THEREFORE**, the Franklin Town Council hereby approves the Town of Franklin's Community Choice Power Supply Program Aggregation Plan prepared by the Colonial Power Group, Inc., a copy of which is attached hereto as Exhibit A for submittal to the Department of Public Utilities (DPU) , Department of Energy Resources (DOER), and other regulatory state agencies required by law for approval.

This Resolution shall become effective according to the rules and regulations of the Town of Franklin Home Rule Charter.

**DATED: March \_\_\_\_\_, 2016**

**VOTED:**

**UNANIMOUS \_\_\_\_\_**

**A True Record Attest:**

**YES \_\_\_\_\_ NO \_\_\_\_\_**

**ABSTAIN \_\_\_\_\_**

**Teresa M. Burr  
Town Clerk**

**ABSENT \_\_\_\_\_**

---

**Judith Pond Pfeffer, Clerk  
Franklin Town Council**

## **Franklin Officials Have Released the Town's Community Choice Power Supply Program Aggregation Plan**

The Town of Franklin developed the Aggregation Plan in compliance with Massachusetts law regarding public aggregation of electric consumers. It contains required information on the structure, operations, services, funding, and policies of the Town's Plan. The Plan has been developed in consultation with the Town's aggregation implementation consultant, Colonial Power Group, Inc. (CPG) and the Massachusetts Department of Energy Resources (DOER).

The purpose of this Plan is to represent consumer interests in competitive markets for electricity. It seeks to aggregate consumers in the Town to negotiate rates for power supply. It brings together the buying power of over 32,000 consumers. Furthermore, the Town seeks to better manage energy prices. Participation is voluntary for each eligible consumer. Eligible consumers have the opportunity to decline service provided through the Plan and to choose any Competitive Supplier they wish. The Town has distributed this Plan for public review prior to submitting it to the Massachusetts Department of Public Utilities.

### **Public Review and Comment Period**

The Town of Franklin's Aggregation Plan is available for public review and comment from **Friday, February 12, 2016, at 12:00 p.m. Noon** through **Tuesday March 8<sup>th</sup>, 2016, at 4:00 p.m.**

Any person who desires to comment may do so in person at the Town Clerk's office or submit written comments using one of the following methods: (1) by e-mail to [jhellen@franklin.ma.us](mailto:jhellen@franklin.ma.us); or (2) by postal mail to the address below.

Comments must be clearly marked **Town of Franklin's Aggregation Plan** and must be received (not postmarked) by the end of the comment period in order to be addressed.

Jamie Hellen  
Deputy Town Administrator  
Town Hall  
355 East Central Street  
Franklin, MA 02038

Any questions pertaining to this should be directed to Jamie Hellen, Deputy Town Administrator at (508) 528-7900 x 4887.

Click [here](#) to read the Town of Franklin's Aggregation Plan. An original hardcopy of the Plan is also available at the Town Clerk's office.



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# **TOWN OF FRANKLIN COMMUNITY CHOICE POWER SUPPLY PROGRAM AGGREGATION PLAN**

PREPARED BY  
**COLONIAL POWER GROUP, INC.**

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## **PURPOSE OF THE AGGREGATION PLAN**

The Town of Franklin (“Town”) developed this Aggregation Plan (“Plan”) in compliance with Massachusetts law regarding public aggregation of electric consumers. It contains required information on the structure, operations, services, funding, and policies of the Town’s Plan. The Plan has been developed in consultation with an aggregation implementation consultant (Consultant), initially Colonial Power Group, Inc. (CPG) and the Massachusetts Department of Energy Resources (DOER).

The purpose of this Plan is to represent consumer interests in competitive markets for electricity. It seeks to aggregate consumers in the Town to negotiate rates for power supply. It brings together the buying power of over 32,000 consumers. Furthermore, the Town seeks to take control of energy prices. Participation is voluntary for each eligible consumer. Eligible consumers have the opportunity to decline service provided through the Plan and to choose any Competitive Supplier they wish. Based on enrollment figures from previous community aggregations, CPG anticipates that 97% of the eligible consumers will participate. The Town has distributed this Plan for public review prior to submitting it to the Massachusetts Department of Public Utilities (“Department”).

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# **REQUIREMENTS FOR MUNICIPAL AGGREGATION**

The Massachusetts Electric Utility Restructuring Act of 1997 (“Restructuring Act”) contains several requirements for municipal aggregators. One requirement is to develop an aggregation plan in consultation with the DOER. The Plan is subject to review by consumers in the participating municipality and approval by the Department.

## **1 THE PROCESS OF MUNICIPAL AGGREGATION**

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Municipal aggregation involves a multi-step public process as follows:

- 1.1 Vote and Authorization to become a Public Aggregator
- 1.2 Development of Plan in Consultation with DOER
- 1.3 Review of Plan by Town Administrator, Town Council and Consumers
- 1.4 Vote on Plan by Town Council
- 1.5 Submission of Plan for Department Approval
- 1.6 Public Hearing on Plan by Department
- 1.7 Selection of Date for Receipt of Price Terms from Competitive Suppliers
- 1.8 Selection of Competitive Supplier by Town Administrator
- 1.9 Notification of Enrollment for Eligible Consumers
- 1.10 Beginning of Opt-Out Period (30 days prior to first service date)
- 1.11 Transfer of Participating Consumers to Competitive Supplier

In addition to this process, municipal aggregators must comply with open meeting laws, ethical rules, and certain public bidding and information requirements.

## **2 FRANKLIN'S COMMUNITY CHOICE POWER SUPPLY PROGRAM**

---

The Town offers one program to achieve its goals: Franklin's Community Choice Power Supply Program ("Program"). The Program provides professional representation on behalf of consumers in state proceedings and in regional or local forums to protect consumer interests in an evolving marketplace.

The Program is designed to offer competitive choice to eligible consumers and to gain other favorable economic and non-economic terms in service contracts. The Town does not buy and resell power, but represents consumer interests to set the terms for service. Through a competitive bid and negotiation process, the Town develops a contract with a Competitive Supplier for firm, all-requirements service. The contract runs for a fixed term. The process of contract approval contains checks and balances. Once the contract has been negotiated by the Town's agent, it must be submitted to the Town Administrator for approval. And lastly, eligible consumers may opt-out of the Program, and select Basic Service or power supply from any other Competitive Supplier they wish at any time before or following their enrollment in the Town's Program. No eligible consumer is required to receive service under the Town's contract. [See Section 4.1.6 for detailed information on the opt-out process.]

### **2.1 ORGANIZATIONAL STRUCTURE**

The Town's government is led by a nine person Town Council. Daily operations are overseen by a Town Administrator. Town elections are held the first Tuesday in November.

The Town Council is composed of nine members elected for two year terms. They meet every first and third Wednesday evening at 7:00 P.M. at Town Hall. They may also hold other meetings from time to time. The Town Council acts as the Town's Chief Executive Body responsible for the general welfare of the community. Specific powers and responsibilities of the Town Council are set forth in the Town Charter. The operational role of the Town and its agent in relation to consumers is outlined and described in the following pages.

### **2.2 OPERATIONAL LEVELS**

There are five operational levels to the Town's Program as follows:

#### **2.2.1 Level One: Consumers**

Consumers hold the ultimate authority over the Program and its functions. They can elect candidates for the Town Council who may take positions regarding the Program. They can

participate in local and regional meetings and hearings regarding issues related to restructuring in general and the Town's Program in particular. And they can attend meetings to express their views.

Every eligible consumer in the Town may participate in the Town's Program. All eligible consumers will also have the ability to decline service through the Competitive Supplier and choose any other power supply option they wish or remain with the Local Distributor, National Grid (NGRID). Eligible consumers who are dissatisfied with services provided under the contract negotiated by the Town may also communicate directly with the Competitive Supplier or the Consultant retained by the Town to assist with the implementation of the Plan via e-mail or toll-free telephone number in an effort to alter or otherwise improve service. Eligible consumers may also opt-out at any time by contacting the Competitive Supplier. Eligible consumers may also bring issues before the Town Council.

### **2.2.2 Level Two: Town Council**

Based upon its existing authority or authority provided by voters at Town elections, the Town Council may act on program and policy issues and contract recommendations. In addition, it may provide instructions to the Town's agent regarding specific policy or program decisions to be made under the Program. It may also raise issues directed to it by consumers for the Town to address.

### **2.2.3 Level Three: Town Administrator**

The Town Administrator carries out the collective decisions and instructions of the Town Council and participating consumers.

### **2.2.4 Level Four: Consultant**

As the Town's agent, the Consultant shall provide the day-to-day management and supervision of the business affairs of the Program under a contract agreement. The Consultant shall serve as the Town's procurement agent, utilizing its existing staff to solicit services as requested by the Town. In addition, the Consultant provides office space and administrative support to coordinate the Program's operations.

This administrative support includes:

- communications;
- program development;
- recordkeeping; and
- program oversight and maintenance.



### **2.2.5 Level Five: Competitive Suppliers**

Competitive Suppliers contract with the Town through its Town Administrator. The contract is negotiated, recommended, and monitored for compliance by the Consultant. No contract is binding until it is approved by the Town Administrator. The complete set of Competitive Supplier responsibilities is found in the Electric Service Agreement (ESA) between the Town and the Competitive Supplier.

## **2.3 OPERATIONS**

The Program's operations are guided by the provisions and goals contained in this Plan and the instructions and decisions of the Town Administrator, the Consultant, and participating consumers.

The goals of this Plan are as follows:

- provide the basis for aggregation of eligible consumers on a non-discriminatory basis;
- acquire a market rate for power supply and transparent pricing;
- provide equal sharing of economic savings based on current electric rates;
- allow those eligible consumers who choose not to participate to opt-out;
- provide full public accountability to participating consumers; and
- utilize municipal and other powers and authorities that constitute basic consumer protection to achieve these goals.

## **2.4 STAFFING AND MANPOWER**

The operations necessary to plan, deliver, and manage the Town's Program include:

- technical analysis;
- competitive procurement of services;
- regulatory approvals;
- accounting and fiscal management;
- contract maintenance;
- communications;
- program coordination; and
- administrative support.

The Town intends to utilize the Consultant as the professional, technical, and legal consultant to operate the Program. The Consultant is a licensed broker of electricity in Massachusetts (EB-107). The Consultant has experience designing, implementing and administering opt-out

municipal aggregation programs.

The Consultant will be responsible for monitoring all aspects of the Program and any resulting contractual agreements, including but not limited to: monitoring and reporting on compliance with all contract terms and conditions, resolution of contract issues, implementation of the opt-out process for consumers, participation in negotiations with NGRID, preparation of reports, as directed, and routine updates and attendance at meetings with the Town Administrator and Town Council.

The Program has been developed on behalf of the Town by the Consultant with the support of technical consultants and legal counsel. Once a contract has been secured, the Consultant will administer the Program.

The Consultant will undertake negotiations with Competitive Suppliers and provide representation at the state level, as needed, at the direction of the Town Administrator and Town Council. The terms and conditions of any contract may be subject to review by the Town Attorney, as well as by any outside legal counsel which may be selected by the Town, and may be further subject to the Town Attorney's approval as to legal form.

### **3 FUNDING**

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Initial funding for Town's Program comes from private capital supplied by CPG. The ESA with a Competitive Supplier will include a \$0.001/kWh adder that will be paid by the Competitive Supplier to the Consultant. The \$0.001/kWh adder will fund the on-going costs of the Program. The start-up costs, to be borne by the Consultant, include costs for legal representation, public education, and communications. Mailing costs will be borne by the Competitive Supplier.

### **4 ACTIVATION AND TERMINATION**

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#### **4.1 ACTIVATION**

Following the process of municipal aggregation and competitive procurement of a proposed contract by the Town, activation of the Program requires the following steps:

- a) Approval of Plan by Department
- b) Acceptance of ESAs by Town Council and Town Administrator
- c) Signing of ESA by Town Council and Town Administrator
- d) Notification of Enrollment for Eligible Consumers
- e) Notification of NGRID
- f) Beginning of Opt-Out Period

g) Transfer of Participating Consumers to Competitive Supplier

Each of these steps is described as follows:

**4.1.1 Approval of Plan by Department**

The Town, through its agent, shall file this Plan with the Department. The Department is required to hold a public hearing on the Plan.

**4.1.2 Acceptance of ESAs by Town Council and Town Administrator**

All contracts negotiated by the Town shall be expressly conditioned upon the acceptance of the contract by the Town Administrator. Competitive Suppliers and contracts must comply with all applicable laws and rules and regulations promulgated by the Department concerning Competitive Suppliers.

**4.1.3 Signing of ESA by Town Council and Town Administrator**

With the signing of the contract by the Town Administrator, the terms and conditions in the contract will be utilized for service for eligible consumers within the municipal boundaries of the Town, except for those eligible consumers who have selected a Competitive Supplier prior to the contract activation date and do not wish to switch to service under the Town's contract, or those eligible consumers who affirmatively opt-out of the Program.

**4.1.4 Notification of Enrollment for Eligible Consumers**

Following approval of the contract by the Town, the Competitive Supplier shall undertake notification of all eligible consumers on Basic Service to be enrolled. NGRID will inform the Competitive Supplier and the Consultant as to which consumers are on Basic Service and which consumers are receiving power from third-party suppliers. NGRID will electronically transmit the name, address and account of eligible consumers and run this data just prior to the meter read at which the change to the Competitive Supplier is set to occur to ensure that no consumers contracted with third-party suppliers are enrolled. Only current Basic Service consumers will be sent opt-out notices. The Town may also generally notify all consumers receiving competitive service of their eligibility to receive power from the Town's Competitive Supplier. Once the appropriate notification has been provided to the eligible consumer and applicable opt-out requirements met, the Competitive Supplier will electronically enroll the eligible consumer by submitting an "enroll customer" transaction to NGRID in accordance with the rules and procedures set forth in the EBT Working Group Report, which is applicable to all Competitive Suppliers and distribution companies in Massachusetts.

The process of notification shall be multi-layered and will include:

- mailings by the Town;
- newspaper notices;
- public service announcements (PSAs); and
- notices posted in Town Hall.

Prior to enrollment, this notification shall:

- inform eligible consumers they have the right to opt-out of the aggregated entity without penalty and choose Basic Service at any time before or after their first day of service;
- prominently state all charges to be made and a comparison of the price and primary terms of the Town's contract compared to the price and terms of NGRID's Basic Service;
- explain the opt-out process; and
- provide written notification that no charges associated with the opt-out will be made by the Competitive Supplier.

When a new eligible consumer first moves to the Town, the eligible consumer will not be assigned to the Town's Competitive Supplier until the Competitive Supplier submits an "enroll customer" transaction. Prior to such "enroll customer" transaction, the eligible consumer shall receive Basic Service. The Competitive Supplier is responsible for including new eligible consumers in the Program as they move into the Town by the requesting electronic transmittals on a quarterly basis from NGRID, notifying and enrolling per the procedures followed for the initial enrollment.

The approximate timing of the major procedural steps related to the notification of consumers is as follows:

Day 1	Supply contract executed between Town and Competitive Supplier
Day 2	Competitive Supplier notifies NGRID to prepare Town eligible consumer data
Day 3	Competitive Supplier begins EDI testing with NGRID
Day 14	Competitive Supplier receives eligible consumer data from NGRID
Day 18	CPG and/or Competitive Supplier mails opt-out notice to all eligible consumers
Day 19	30-day opt-out period begins on date of postmark
Day 21	Eligible consumers receive mail
Days 21-51	Consumers wishing to opt-out return pre-paid reply card to Competitive Supplier

Day 33	Competitive Supplier completes EDI testing with NGRID
Day 52	Competitive Supplier removes opt-outs from eligible list
Day 53	Competitive Supplier sends “supplier enrolls customer” EDI for all participating consumers

Participating consumers are enrolled with supplier on the next meter read, provided that the enrollment transaction is submitted no fewer than two full business days before the meter read.

Our Consultant’s experience with previous aggregation programs suggests that the Town, Competitive Supplier and NGRID need about two months to complete the consumer notification and enrollment process.

The procedures described above may also be found in NGRID’s Terms and Conditions for Municipal Aggregators, M.D.P.U. No. 1202, as amended or superseded from time to time. These procedures were discussed in numerous meetings between CPG and NGRID.

The methods by which eligible consumers will be enrolled in the Program are consistent with NGRID’s Terms and Conditions for Competitive Suppliers, M.D.P.U. No. 1201, as amended or superseded from time to time.

#### **4.1.5 Notification of NGRID**

Along with notification of eligible consumers, the Town shall notify the selected Competitive Supplier and NGRID to begin preparation of the administrative process to transfer eligible consumers coincident with each eligible consumer’s billing cycle. Alternatively, or in combination with the Town notification, the selected Competitive Supplier may notify NGRID to begin preparation of the administrative process.

#### **4.1.6 Beginning of Opt-Out Period**

Eligible consumers may opt-out of service from the Program at no charge either in advance of service start up deadlines or at any time after the first day of service. Participating consumers who seek to return to NGRID’s Basic Service should provide notice to the Competitive Supplier and/or NGRID five or more business days before the next scheduled meter read date. Pursuant to NGRID’s Terms and Conditions for Municipal Aggregators, M.D.P.U. No. 1202, participating residential consumers will be transferred to NGRID’s Basic Service in two business days if they directly notify NGRID of the intent to terminate generation service from the Competitive Supplier. If a commercial or industrial consumer directly notifies NGRID of the choice to terminate generation service from the Competitive Supplier, the generation service shall be terminated on the date of the customer’s next scheduled meter read. If a residential, commercial, or industrial customer notifies the Competitive Supplier of the choice to terminate receipt of

generation service, the termination shall take place on the date of the customer's next scheduled meter read, so long as the Competitive Supplier has submitted the transaction to NGRID no fewer than two business days prior to the meter read date. There shall be no charge for returning to NGRID's Basic Service in this manner. Further opportunities for eligible consumer opt-out may be negotiated by the Town and the Competitive Supplier and included in the terms of the contract presented to the Town Council, the Town Administrator, and made part of the public information offered to each eligible consumer. Eligible consumers who opt-out and subsequently wish to enroll may be enrolled at the Competitive Supplier's discretion and pursuant to NGRID's Terms and Conditions for Competitive Suppliers, M.D.P.U. No. 1201, as amended or superseded from time to time.

#### **4.1.7 Transfer of Participating Consumers to Competitive Supplier**

The process of activation is an administrative function with three parts:

- a) Data Preparation: NGRID will identify all eligible consumers on Basic Service in the Town by eliminating those who have already selected a Competitive Supplier.
- b) Automatic Enrollment: All verified eligible consumers shall be transferred to the Town's Competitive Supplier coincident with NGRID's billing periods, unless they have previously sent in notification of their intent to opt-out according to established deadlines. Eligible consumers will be enrolled with the new Competitive Supplier over the period of one month. Service under the new Competitive Supplier shall begin at the start of the billing period following transfer.
- c) Notification: NGRID shall notify each transferred participating consumer of the change to the Town's Competitive Supplier with its last bill for Basic Service.

## **4.2 TERMINATION**

The Program may be terminated in two ways:

- upon contract termination or expiration without any extension, renewal, or subsequent contract being negotiated; or
- at the decision of the Town Council and Town Administrator to dissolve the Program.

Each participating consumer receiving service under the Town's Program will receive notification of termination of the Program 90 days prior to such termination.

In the event of contract termination, participating consumers would return to NGRID's Basic Service or choose a Competitive Supplier. This transfer would occur in coordination with NGRID using established EDI protocols and in accordance with the rules and procedures set forth in the EBT Working Group Report.

## **5 METHODS FOR ENTERING AND TERMINATING AGREEMENTS**

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The Town's process for entering, modifying, enforcing, and terminating all agreements associated with the Program shall comply with the requirements of the Town's charter, and state and federal laws. Where required, the procedures outlined in M.G.L. c. 30B shall be followed. Other agreements shall be entered, modified, or terminated in compliance with the law and according to the express provisions of the relevant agreement.

Prior to the end of the initial ESA, the Consultant will be responsible for conducting a subsequent bidding process for a new ESA. The Town Administrator is responsible for executing a new ESA. Customers will be notified through press releases and public notices. New opt-out notices will not be mailed. The Town will not use on-bill messaging or bill inserts. However, NGRID may include on-bill messaging notifying consumers of a supplier switch. The transfer of customers from the existing supplier to the new supplier is conducted by the new supplier in coordination with NGRID using established EDI protocols.

The Town will notify NGRID of the planned termination or extension of the program. In particular, the Town will provide NGRID notice:

- 90 days prior to a planned termination of the program;
- 90 days prior to the end of the anticipated term of the program's ESA; and
- four business-days after the successful negotiation of a new electricity service agreement.

## **6 RATE SETTING, COSTS, AND BILLING**

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The Town will offer the Program at rates and terms to be negotiated with Competitive Suppliers. All Competitive Supplier charges to the participating consumer will be fully and prominently disclosed under the notification process.

NGRID shall continue to provide metering, billing, and maintenance of the distribution system as a regulated monopoly function. Charges for metering, billing and other distribution services shall be regulated by the Department, unless otherwise provided for in law, or Department rules and regulations.

## **6.1 RATE SETTING**

Under Department orders, NGRID assigns the rate classification and corresponding character of service and associated regulated rates. These rates include a monthly customer charge, a distribution charge, a transmission charge, a transition charge, an energy conservation charge, and a renewable energy charge that currently make up a portion of a ratepayer's bill. Although the Town, or its agent, may participate in regulatory proceedings and represent the interests of ratepayers regarding these regulated rates, it will not assign or alter existing rate classifications without the approval of the Department. [See Section 6.3 for an example of a typical residential bill.]

The focus of the Town, as noted above, will be acquisition of competitive prices and terms for power supply. This price, or prices, will be set through the competitive bid and negotiation process, and will be noted on the participating consumer's bill as the "generation charge".

The competitive bid process will seek prices that will differ among the rate classifications established by NGRID's tariffs. The terms and conditions of service may also vary among rate classifications.

## **6.2 COSTS**

There is no cost to eligible or participating consumers. The Program funding will be derived from a \$0.001/kWh commission fee payable by the Competitive Supplier to the Consultant.

In addition, the Town may fund personnel costs associated with an Energy Manager position(s), of which one of the responsibilities would be to assist with the Aggregation Program, through an Operational Adder payable by the Competitive Supplier to the Town.

## **6.3 BILLING**

Participating consumer billing under the Town's Program will be made by the Competitive Supplier under contract and shall be incorporated into the standard monthly utility billing. Participating consumers will receive a "complete bill" from NGRID that incorporates the power supply charge and NGRID's delivery charges. The bill shall include a clear delineation of all regulated and non-regulated charges.

The typical residential "complete bill" for use of 500 kWh shows the following charges for NGRID's Basic Service in November 2015:



For Customer With Monthly Usage of 500 kWh		
	Rate (\$/kWh)	Charge
<b>Delivery Services Detail (Rate: R1)</b>		
Customer Charge		4.00
Distribution Charge	0.03977	19.89
Transition Charge	(0.00164)	(0.82)
Transmission Charge	0.02614	13.07
Energy Efficiency Charge	0.01624	8.12
Renewable Energy Charge	0.00050	0.25
Total Delivery Services		\$ 44.51
<b>Supplier Services Detail (Rate: Basic Service)</b>		
Generation Services Charge	0.13038	65.19
Total Supplier Services		\$ 65.19
Average Bill Total		\$ 109.70

Sources: [http://www.nationalgridus.com/masselectric/non\\_html/MA\\_Residential\\_Table.pdf](http://www.nationalgridus.com/masselectric/non_html/MA_Residential_Table.pdf)  
[http://www.nationalgridus.com/non\\_html/1115meco.pdf](http://www.nationalgridus.com/non_html/1115meco.pdf)

Accessed: November 1, 2015

## 7 UNIVERSAL ACCESS

“Universal access” is a term derived from the traditional regulated utility environment in which all consumers desiring service receive that service. The DOER’s Guide to Municipal Electric Aggregation in Massachusetts has defined universal access to mean “electric services sufficient for basic needs (an evolving bundle of basic services) available to virtually all members of the population regardless of income.” The Guide also provides that a municipal aggregation plan meets the requirement of universal access “by giving all consumers within its boundaries the opportunity to participate, whether they are currently on Basic Service or the supply service of a Competitive Supplier.” For the purposes of the Town’s Program this will mean that all existing consumers within the borders of the Town and all new consumers in the Town shall be eligible for service from the Competitive Supplier under the terms and conditions of the contract. One of the Town’s goals, as indicated in Section 2.3, is to “Provide the basis for aggregation of eligible consumers on a non-discriminatory basis”.

Service under the Town’s Program shall include rate classifications in adherence with universal service principles and requirements, and the traditional non-discriminatory practices of local

government. Contracts with all Competitive Suppliers shall contain provisions to maintain these principles and equitable treatment of all rate classifications.

Eligible existing consumers in the Town shall be transferred to the Program unless they have already contracted with a Competitive Supplier or affirmatively opted-out of the Program.

Eligible low-income consumers shall remain subject to all existing provisions of state law regarding their rights to return to Basic Service and to participate in the Program as well.

New Eligible consumers in the service territory shall be enrolled in the Program unless they already contracted with a Competitive Supplier or affirmatively opted-out of the Program. New Eligible consumers will retain the right to opt-out any time after the commencement of Program service.

## **8      EQUITABLE TREATMENT OF RATEPAYERS**

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All ratepayers will be treated equitably. They will be guaranteed the right to raise and resolve disputes with the Competitive Supplier, be provided all required notices and information, and always retain the right to opt-out of the Town's Program as described herein or to switch Competitive Suppliers. The requirement of equitable treatment of all ratepayers does not, however, require that all ratepayers be offered the same pricing or terms and conditions. To impose such an interpretation to the statutory requirements governing municipal aggregation programs would, in effect, result in inequitable treatment, as attempting to apply identical prices, terms, and conditions to ratepayers with widely disparate characteristics would have the inevitable effect of giving some ratepayers more favorable service than others. The implementation of the Program will recognize this reality through appropriate distinctions in pricing and, where applicable, terms and conditions among ratepayers.

## **9      RELIABILITY**

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"Reliability" in power supply and in transmission and distribution is essential to consumers. This will be accomplished and reinforced by the Program at several levels through:

- provisions of the contract that will include language on reliability of supply, liability and damages provisions;
- traditional proceedings related to NGRID's regulated transmission and distribution services; and
- direct discussions with NGRID concerning specific or general problems related to quality and reliability of transmission and distribution service in the Town.

## **10 RIGHTS AND RESPONSIBILITIES OF PARTICIPANTS**

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### **10.1 RIGHTS**

All participating consumers shall enjoy the protections of law afforded to them as they currently exist or as they may be amended from time to time. These include rights to question billing or service quality or service practices. Under protocols developed by the Department, problems related to billing or service shall be directed to the appropriate parties. All eligible consumers shall also enjoy the individual right to decline participation in the Town's Program.

### **10.2 RESPONSIBILITIES**

All participating consumers shall meet all standards and responsibilities required by the Department, including payment of billings and access to essential metering and other equipment to carry out utility operations.

## **11 BENEFITS OF MUNICIPAL AGGREGATION**

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The Program functions under the restrictions of state law and reflects a range of results and opportunities:

### **11.1 PARTICIPATION IN COMPETITIVE MARKET**

Many consumers lack knowledge and leverage to negotiate terms for power supply. A municipal aggregator provides them with an option for professional representation and the leverage of a large group so that they may participate more effectively in the competitive process and achieve benefits.

### **11.2 SELECTION OF ALTERNATE SUPPLIER**

Because the law guarantees the right to opt-out, including the right to choose Basic Service at no charge, all eligible consumers have the right to select a Competitive Supplier other than the one chosen by the Town Administrator and Town Council.

### **11.3 INDEMNIFICATION AND RISK ASSOCIATED WITH COMPETITIVE MARKET**

In a competitive market, it is possible that the failure of a Competitive Supplier to provide service may result in the need for participating consumers to acquire alternative power supply, or for participating consumers to receive power at Basic Service prices. The Town will seek to

minimize this risk by contracting with reputable Competitive Suppliers who demonstrate reliable service. The Town also intends to include conditions in its contract with a Competitive Supplier that will indemnify participating consumers against risks or problems with power supply service.

#### **11.4 OTHER PROTECTIONS**

The Town intends to negotiate a range of provisions in its contracts to enhance participating consumer protection.

### **12 REQUIREMENTS CONCERNING AGGREGATED SERVICE**

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The Town shall comply with the requirements established by law and the rules set forth by the Department concerning aggregated service.


# OFFICE OF THE TOWN ADMINISTRATOR

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## MEMORANDUM

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**DATE:** March 4, 2016  
**TO:** Town Council  
**FROM:** Jeffrey D. Nutting, Town Administrator   
**RE:** Insurance Recovery for damages at the High School

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Under Massachusetts law any insurance recovery over \$20,000 must be approved by the Town Council. We do not have any estimated yet but we need to move ahead to purchase furniture, equipment, books, materials etc. destroyed as a result of the water break. The towns insurance will cover the cost less the \$5,000 deductible.

I am happy to answer any questions that you may have.



**TOWN OF FRANKLIN**

**RESOLUTION NO.:** 16 - 13

**APPROPRIATION:** Town Administrator: Insurance Recovery Account  
28123490

**PURPOSE:** To authorize payment in excess of \$20,000 from Insurance Proceeds for purposes of paying invoices related to the damages at the Franklin High School.

**MOTION**

Be It Moved and Voted by the Town Council to authorize payments in excess of Twenty-thousand Dollars (\$20,000) from Insurance Proceeds (MGL Ch 44 Sec 53) for purposes of paying invoices related to the damages at the Franklin High School.

**DATED:** \_\_\_\_\_, 2016

**VOTED:**

**UNANIMOUS** \_\_\_\_\_

**YES** \_\_\_\_\_ **NO** \_\_\_\_\_

**A True Record Attest:**

**ABSTAIN** \_\_\_\_\_

**ABSENT** \_\_\_\_\_

**Teresa M. Burr**  
**Town Clerk**

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**Judith Pond Pfeffer, Clerk**  
**Franklin Town Council**



**TOWN OF FRANKLIN**

**RESOLUTION NO.:** 16-14

**APPROPRIATION:** Records Management - Assessors

**TOTAL REQUESTED:** \$ 10,000

**PURPOSE:** To transfer/appropriate funds for the following purpose:

Records Organization/Management/Disposal for Assessors records \$10,000

**MOTION**

Be It Moved and Voted by the Town Council that the sum of Ten Thousand Dollars (\$10,000) be transferred/appropriated from Overlay Surplus to fund the Records Management Project for the Assessing Department.

**DATED:** \_\_\_\_\_, 2016

**VOTED:**

**UNANIMOUS** \_\_\_\_\_

**YES** \_\_\_\_\_ **NO** \_\_\_\_\_

**A True Record Attest:**

**ABSTAIN** \_\_\_\_\_

**ABSENT** \_\_\_\_\_

**Teresa M. Burr**  
**Town Clerk**

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**Judith Pond Pfeffer, Clerk**  
**Franklin Town Council**



# Town of Franklin

## Board of Assessors

355 East Central Street  
Franklin, MA 02038-1352  
(508) 520-4920  
FAX (508) 520-4923  
Web: [www.franklin.ma.us](http://www.franklin.ma.us)

16-17

To: Town Council

Cc: Jeffrey Nutting, Town Administrator

From: Board of Assessors

Date: February 25, 2016

Director of Assessing Kevin W. Doyle arranged for a records survey by King Information Systems, Inc. of Norwood to gain perspective on options for records organization and maintenance, as well as records destruction where and when applicable in accordance with Sec. of State Public Records Laws.

Specialized labor and supply costs have been estimated and a total of \$10,000 will achieve our goal to address our current archives and put a system in place for our present and future active files.

We respectfully request the Town Council authorize an appropriation of \$10,000 from funds currently available in overlay surplus. This project will improve the efficient operation of the Assessors' Office and will centralize records needed for research that can enhance our taxable database for the benefit of all taxpayers.

Respectfully,

William K. Norman, Chairman

Christopher K. Feeley, Clerk

Donna Greenwood, Member





# OFFICE OF THE TOWN ADMINISTRATOR

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## MEMORANDUM

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**DATE:** March 4, 2016  
**TO:** Town Council  
**FROM:** Jeffrey D. Nutting, Town Administrator  
**RE:** Water By-Law

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As you are aware we have been in a long term plan to replace water meters in town. The problem we have run into is property owner's refusal to allow us to enter their residences to change the water meter.

Changing the meters is important to both fairness to the customer and the town. Older meters do not properly record how much water is being used. To date about 500 residents have failed to respond to three letters we have sent them. Accordingly this bylaw would allow us to impose a \$25 day penalty after a 21 day notice period.

Clearly we don't desire to impose a penalty and we do not want to exercise our right to turn off the water. We simply want to get into properties to change the water meter.

I am happy to answer any questions that you may have.



Sponsor: Administration

**TOWN OF FRANKLIN  
BYLAW AMENDMENT 16-755  
CHAPTER 179, WATER**

**A BYLAW TO AMEND THE CODE OF THE TOWN OF FRANKLIN AT CHAPTER 179  
Water, Section 179-10.1 Water Meter Charges to add a new Subsection D Water  
Department Access.**

**BE IT ENACTED BY THE FRANKLIN TOWN COUNCIL** that Code of the Town of Franklin Chapter 179 Water, Section 179-10.1 Water Meter Charges be amended by adding a new Subsection D Water Department Access as follows:

D. Water Department Access. A water customer shall provide access to the Water Department during regular business hours and, in the event of an emergency, at all other times, to permit Water Department employees or contractors to inspect, test, repair and/or replace the water service or any component thereof or the water meter for the premises. In the event of a water customer's failure to provide access, the Director of Public Works or his designee shall transmit a written request for access to the customer, specifying the purpose and date(s) and time(s); if the water customer fails to provide access at the requested date(s) and time(s); or within twenty-one (21) days following receipt of the written request, whichever is later, then the water customer shall be liable for a fine of twenty-five dollars per day for each day thereafter, until the water customer provides the requested access. This provision may be enforced by the Director of Public Works or his designee.

This bylaw amendment shall become effective in accordance with the provisions of the Franklin Home Rule Charter.

**DATED: March \_\_\_\_\_, 2016**

**VOTED:**

**UNANIMOUS**

## A True Record Attest:

**YES** \_\_\_\_\_ **NO** \_\_\_\_\_

**ABSTAIN** \_\_\_\_\_

**Teresa M. Burr**  
**Town Clerk**

**ABSENT**

**Judith Pond Pfeffer, Clerk  
Franklin Town Council**


# OFFICE OF THE TOWN ADMINISTRATOR

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## MEMORANDUM

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**DATE:** March 4, 2016  
**TO:** Town Council  
**FROM:** Jeffrey D. Nutting, Town Administrator   
**RE:** Change to the Present Snow Removal By-Law

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Currently there is a penalty if you park on a public way during the snow parking ban. We have had problems this year with folks parking their cars on public parking lots in a few locations. This makes it difficult for the Department of Public Works to clear parking lots and other public property. Accordingly we would like to add to the current bylaw a prohibition of parking on public property during snow parking bans.

I am happy to answer any questions you may have.



Sponsor: Administration

## TOWN OF FRANKLIN

### BYLAW AMENDMENT 16-756

#### CHAPTER 170 VEHICLES AND TRAFFIC ARTICLE X WINTER STORM OVERNIGHT PARKING BAN

**A BYLAW TO AMEND THE CODE OF THE TOWN OF FRANKLIN AT CHAPTER 170 Vehicles and Traffic, Article X Winter Storm Overnight Parking Ban, Section 170-62, Effect of parking ban.**

**BE IT ENACTED BY THE FRANKLIN TOWN COUNCIL** that Code of the Town of Franklin Chapter 170 Vehicles and Traffic, Article X Winter Storm Overnight Parking Ban, Section 170-62, Effect of parking ban, be amended as follows:

#### **§ 170-62. Effect of parking ban.**

The parking of any motor vehicle within the layout of right-of-way of any public street or any roadway open to the public or on any municipally-owned property is prohibited between the hours of 1:00 a.m. and 5:00 a.m. while a winter storm parking ban is in effect.

This bylaw amendment shall become effective in accordance with the provisions of the Franklin Home Rule Charter.

**DATED:** March \_\_\_\_, 2016

**VOTED:**

**UNANIMOUS** \_\_\_\_

**A True Record Attest:**

**YES** \_\_\_\_ **NO** \_\_\_\_

**ABSTAIN** \_\_\_\_

**Teresa M. Burr**  
**Town Clerk**

**ABSENT** \_\_\_\_

---

**Judith Pond Pfeffer, Clerk**  
**Franklin Town Council**