

TOWN OF FOXBOROUGH, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Foxborough, Massachusetts

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 Foxborough, Massachusetts as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Foxborough, Massachusetts' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Foxborough, Massachusetts, as of June 30, 2010, and the respective changes in financial position, and, where applicable, cash flow thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2011, on our consideration of the Town of Foxborough, Massachusetts' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages **3** through **11**, and other post employment benefits information: schedules of funding progress and employer contributions on pages **58** through **59** are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it

R. E. Brown & Company

October 17, 2011

Management's Discussion and Analysis

As management of the Town of Foxborough (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2010. We encourage readers to consider this information in addition to the statements and notes.

The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Users of these financial statements, such as investors and rating agencies, rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application facilitates comparative assessments of the financial condition of one government compared to others.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$64.3 million (net assets). Of this amount, \$11.4 million, or 17.8%, is considered unrestricted (unrestricted net assets).
- The unrestricted net assets of the Town's governmental activities are \$4.86 million and may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net assets of the Town's business-type activities are \$6.57 million and may be used to meet the ongoing obligations of the Town's water, sewer, and sanitation business-type activities.
- The government's total net assets decreased by \$2.3 million, or 3.5%, in fiscal 2010. Within this total, net assets of governmental activities decreased by \$3.36 million, a 5.9% decrease from fiscal 2009. Also, net assets of business-type activities increased by \$1.07 million or 11.3%, from 2009.
- At June 30, 2010, the Town's governmental funds had a combined ending fund balance of \$22.74 million. The combined governmental funds balance increased by \$6.67 million, or 41.5%, from the prior year's ending fund balance. A total of \$20.94 million, or 92.1% of the \$22.74 million fund balance is considered unreserved at June 30, 2010.
- The Town's general fund reported a fund balance of \$8.2 million at the end of fiscal 2010. The unreserved fund balance for the general fund was \$6.6 million, or 12.2%, of total FY '10 general fund budgetary expenditures. This represents a \$1.13 million decrease in total general fund balance for the year. A total of \$1.94 million of the unreserved fund balance was designated for funding the fiscal year 2011 budget.
- The total cost of all Town services on a full accrual basis for fiscal 2010 was \$72.27 million, \$67.9 million of which was for governmental services, and \$4.3 million of which was for business-type activities, an overall 2.8% increase compared to fiscal 2009.
- The Town's total bonded debt increased by a net of \$8.19 million or 28% during the year. \$10.4 million of new excluded debt was issued in FY 2010, in support of a \$20 million renovation to Foxborough High School. The balance of the High School project is funded by the Massachusetts School Building Authority. There were \$2.2 million in scheduled principal redemptions.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. These basic financial statements are comprised of three components:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Basic Financial Statements

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 periods, (e.g., uncollected taxes and earned but unused vacation/sick 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 or charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, human services, culture and recreation, employee benefits, debt service, and state and county assessments. The business type activities include water, sewer, and sanitation services.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance related legal requirements. All of the funds can be divided into three main 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 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 Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Foxborough adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town has three enterprise funds:

- *Water Enterprise Fund* accounts for the water activity of the Town.
- *Sewer Enterprise Fund* accounts for the sewer activity of the Town.
- *Sanitation Enterprise Fund* accounts for the trash collection and disposal activities of the Town.

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 statement, as 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.

Private purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions “Private Purpose Trust Funds”, and “Agency Fund”, respectively.

Notes to the basic 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.

Government-wide Financial Analysis:

The chart on the following page summarizes key financial components of the Town’s financial statements.

As noted earlier, assets exceed liabilities by \$64.3 million at the close of fiscal year 2010. The Town is able to report positive balances in all categories of net assets, both for the government as a whole, and for each of its separate governmental and business-type activities.

A key component of the Town’s net assets are its *unrestricted net assets* totaling \$11.4 million, or 17.8%, of net assets, which may be used to meet the government’s ongoing obligations to its citizens and creditors.

The Town’s investment in capital assets (e.g., land, roads, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets, is \$47.7 million, or 74.3%, of net assets. The Town uses these capital assets to provide services to citizens; consequently, these assets *are not* available for future spending. Although the investment in the Town’s capital assets is reported net of its 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.

Net assets of Governmental activities decreased by \$3.36 million, a 5.9% decrease from fiscal 2009. Net assets of business-type activities increased by \$1.07 million or 11.3%, from 2009. Total Town net assets decreased by \$2.3 million, or 3.5%.

The reduction in Governmental activities net assets is attributable primarily to recording the \$2.79 million increase to the Net Other Post Employment Benefits (OPEB) Obligation liability for FY 2010. The balance of the change in net assets, a \$579 thousand decrease, is associated primarily with the net result of \$5.9 million in additions to capital assets less \$2.9 million in depreciation to capital assets less a net \$9.1 million increase in debt related to capital projects, offset by a \$5.5 million increase in cash derived primarily from bond proceeds to be used for the completion of capital projects.

Net assets of business-type activities increased by \$1.07 million as a result of the following: operating revenue exceeded expenses and depreciation by \$1.83 million; \$86 thousand was received via intergovernmental grants; \$46.5 thousand was earned in interest; interest expense was \$313.4 thousand; and transfers out for costs incurred in general fund were \$583.9 thousand.

There was an increase of \$1.04 million, or 14.5%, in net assets reported in connection with the water business-type activities. There was an increase of \$87 thousand, or 5%, and a \$59.5 thousand decrease, or 11.3%, in net assets in connection with the sewer and sanitation business-type activities, respectively.

An additional portion of the Governmental activities total net assets totaling \$5.09 million, or 9.5%, represents resources that are subject to external restrictions on how they may be used.

TOWN of FOXBOROUGH - FINANCIAL HIGHLIGHTS

	Governmental Activities			Business-type Activities			Total Primary Government		
	FY 2010	FY 2009	Increase (Decrease)	FY 2010	FY 2009	Increase (Decrease)	FY 2010	FY 2009	Increase (Decrease)
Assets:									
Current Assets	\$31,396,037	\$24,669,774	\$ 6,726,263	\$ 6,459,093	\$ 7,213,999	\$ (754,906)	\$37,855,130	\$31,883,773	\$ 5,971,357
Noncurrent Assets (excluding capital)	-	665,654	(665,654)	-	-	-	-	665,654	(665,654)
Capital Assets	64,214,999	61,231,509	2,983,490	13,990,398	13,322,558	667,840	78,205,397	74,554,067	3,651,330
Total Assets	95,611,036	86,566,937	9,044,099	20,449,491	20,536,557	(87,066)	116,060,527	107,103,494	8,957,033
Liabilities:									
Current Liabilities (excluding debt)	7,023,442	6,277,171	746,271	230,327	809,809	(579,482)	7,253,769	7,086,980	166,789
Noncurrent Liabilities (excluding debt)	6,798,734	4,221,759	2,576,975	195,669	128,610	67,059	6,994,403	4,350,369	2,644,034
Current Debt	2,294,000	1,566,101	727,899	613,552	643,333	(29,781)	2,907,552	2,209,434	698,118
Noncurrent Debt	25,736,603	17,377,702	8,358,901	8,902,863	9,516,415	(613,552)	34,639,466	26,894,117	7,745,349
Total Liabilities	41,852,779	29,442,733	12,410,046	9,942,411	11,098,167	(1,155,756)	51,795,190	40,540,900	11,254,290
Net Assets:									
Capital Assets Net of Related Debt	43,812,810	41,807,092	2,005,718	3,936,291	4,295,261	(358,970)	47,749,101	46,102,353	1,646,748
Restricted	5,086,668	5,165,687	(79,019)	-	-	-	5,086,668	5,165,687	(79,019)
Unrestricted	4,858,779	10,151,425	(5,292,646)	6,570,789	5,143,129	1,427,660	11,429,568	15,294,554	(3,864,986)
Total Net Assets	\$53,758,257	\$57,124,204	\$ (3,365,947)	\$10,507,080	\$ 9,438,390	\$ 1,068,690	\$64,265,337	\$66,562,594	\$ (2,297,257)
Revenues									
<i>Program Revenues:</i>									
Charges for Services	\$ 6,217,552	\$ 6,311,122	\$ (93,570)	\$ 5,468,990	\$ 4,746,516	\$ 722,474	\$11,686,542	\$11,057,638	\$ 628,904
Operating Grants and Contributions	16,910,203	17,085,299	(175,096)	422,678	415,146	7,532	17,332,881	17,500,445	(167,564)
Capital Grants and Contributions	1,435,679	547,926	887,753	86,034	88,222	(2,188)	1,521,713	636,148	885,565
<i>General Revenues:</i>									
Real Estate and Personal Property Taxes	32,076,118	29,381,868	2,694,250	-	-	-	32,076,118	29,381,868	2,694,250
Tax Liens	84,799	141,725	(56,926)	-	-	-	84,799	141,725	(56,926)
Motor Vehicle and Other Excise Taxes	2,026,084	2,116,659	(90,575)	-	-	-	2,026,084	2,116,659	(90,575)
Payments in lieu of taxes	2,512,898	2,148,127	364,771	-	-	-	2,512,898	2,148,127	364,771
Hotel/Motel Tax	649,973	392,334	257,639	-	-	-	649,973	392,334	257,639
Penalties and Interest on Taxes	314,304	194,781	119,523	-	-	-	314,304	194,781	119,523
Nonrestricted Grants and Contributions	1,434,385	1,835,422	(401,037)	-	-	-	1,434,385	1,835,422	(401,037)
Unrestricted Investment Income	246,705	356,167	(109,462)	-	-	-	246,705	356,167	(109,462)
Other Revenues	83,020	25,419	57,601	-	-	-	83,020	25,419	57,601
Total Revenues	63,991,720	60,536,849	3,454,871	5,977,702	5,249,884	727,818	69,969,422	65,786,733	4,182,689
Expenses:									
General Government	1,935,108	2,013,334	(78,226)	-	-	-	1,935,108	2,013,334	(78,226)
Public Safety	7,146,711	7,391,413	(244,702)	-	-	-	7,146,711	7,391,413	(244,702)
Education	32,576,835	31,434,643	1,142,192	-	-	-	32,576,835	31,434,643	1,142,192
Public Works	2,120,049	2,434,546	(314,497)	-	-	-	2,120,049	2,434,546	(314,497)
Human Services	763,748	627,163	136,585	-	-	-	763,748	627,163	136,585
Culture and Recreation	1,222,698	1,195,619	27,079	-	-	-	1,222,698	1,195,619	27,079
Employee Benefits	20,850,559	19,732,699	1,117,860	-	-	-	20,850,559	19,732,699	1,117,860
State and County Assessments	302,188	308,950	(6,762)	-	-	-	302,188	308,950	(6,762)
Interest	1,023,642	842,711	180,931	-	-	-	1,023,642	842,711	180,931
Water	-	-	-	2,432,006	2,302,537	129,469	2,432,006	2,302,537	129,469
Sewer	-	-	-	960,045	1,086,261	(126,216)	960,045	1,086,261	(126,216)
Sanitation	-	-	-	933,090	931,605	1,485	933,090	931,605	1,485
Total Expenses	67,941,538	65,981,078	1,960,460	4,325,141	4,320,403	4,738	72,266,679	70,301,481	1,965,198
Transfers	583,871	628,035	(44,164)	(583,871)	(628,035)	44,164	-	-	-
Change in Net Assets	(3,365,947)	(4,816,194)	1,450,247	1,068,690	301,446	767,244	(2,297,257)	(4,514,748)	2,217,491
Net Assets - Beginning	57,124,204	61,940,398	(4,816,194)	9,438,390	9,136,944	301,446	66,562,594	71,077,342	(4,514,748)
Net Assets - Ending	\$53,758,257	\$57,124,204	\$ (3,365,947)	\$10,507,080	\$ 9,438,390	\$ 1,068,690	\$64,265,337	\$66,562,594	\$ (2,297,257)

Financial analysis of the Government's Funds

As noted earlier, the Town uses fund accounting 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, *unreserved 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 fiscal year 2010, governmental funds reported combined ending fund balances of \$22.74 million, a \$6.67 million increase from the prior year's ending fund balance. The net increase reflects Governmental fund balance reduced due to general fund expenditures being \$1.14 million more than combined general fund revenues and operating transfers in. Also, a net of \$7.32 million in bond proceeds remain in association with the work in process High School renovation capital project in addition to \$583 thousand in advance of borrowing associated with this project being repaid to the project account with bond proceeds. In addition a net of \$115 thousand was expended across several non-major governmental fund accounts. Finally, the Stabilization fund earned interest of \$14.4 thousand.

The General fund is the primary operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6.6 million, while total fund balance stood at \$8.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total general fund budgetary expenditures. Unreserved fund balance represents 12.2% of total general fund budgetary expenditures, while total fund balance represents 15.3% of that same amount.

General fund budgetary revenues increased by 5.4% or \$2.5 million in FY 2010, due primarily to new growth property taxes associated with significant commercial property investments in the Town. Conversely, general fund budgetary expenditures increased by 6.6% or \$3.3 million driven primarily by increases in education (\$704 thousand), public safety (\$478 thousand), and employee benefits costs (\$2.6 million) with a net \$481 thousand in reductions in almost every other department. After accounting for other financing sources and uses, the budgetary fund balance of the general fund decreased by \$2.2 million to \$6.6 million. This result is according to management's conservative planning and budgeting and the prudent use of unreserved fund balance to maintain the Town's services and financial position.

The High School Renovation Fund balance increased by a net of \$7.9 million to end FY '10 at \$7.32 million. The FY '10 balance reflects the receipt of \$10.4 million in bond proceeds plus \$975 thousand in the first of several Massachusetts School Building Authority project cost reimbursements, less \$3.47 million in FY '10 project costs and a \$583 thousand repayment of an FY '09 advance in anticipation of borrowing for the capital project.

The Stabilization fund has accumulated a fund balance of \$2.59 million, which represents 4.83% of FY 2010 general fund budgetary expenditures. These funds can be used for general or capital purposes upon Town Meeting approval.

All other Non-Major Governmental Fund balances decreased in total by \$114 thousand to \$4.63 million as a result of \$5.96 million in revenues less \$5.34 million in expenditures and a net of \$732 thousand in transfers out, \$686 thousand of which was the normal funding of operating and capital expenses in the general fund from the ambulance receipts account.

General Fund Budget Highlights

Actual FY 2010 general fund revenues exceeded budgeted revenues by \$958 thousand, primarily driven by conservatively estimated local receipts and despite declines in property tax collection performance (\$488.5 thousand) and intergovernmental receipts (state aid) finishing \$200 thousand less than plan. General fund expenses were \$473 thousand less than plan in total due to management’s actions to reduce budgets and restrict spending in general early in the fiscal year when it was learned that state aid would be less than plan. This is net of a legal snow & ice removal deficit of \$303 thousand. Excepting the extraordinary winter and resulting expense, management’s continued, and well practiced, disciplined approach to spending sustains the Town’s service levels in a challenging economic environment. Operating transfers in were \$604 thousand more than plan due to the mechanics, authorized at Town Meeting, of utilizing dormant employee benefits related accounts to fund contributions to the Town’s newly established Other Post Employment Benefits Trust Fund (OPEB). The net result was a decrease to FYE 2010 budgetary fund balance of \$2.2 million.

Capital Asset and Debt Administration

Capital Assets - In conjunction with the operating budget, the Town annually prepares capital budgets for the upcoming fiscal year.

The Town’s ownership of, or investment in, capital assets for governmental and business type activities, as summarized below, as of June 30, 2010, amounts to \$78.2 million, net of accumulated depreciation. The value in capital assets includes land, buildings, machinery, equipment, software, vehicles, water, sewer, and roadway infrastructure.

The governmental activities capital assets were increased by \$5.87 million and reduced by \$2.87 million in depreciation during fiscal 2010, for a net \$2.98 million increase. The increases were primarily due to \$3.47 million of construction related to the High School renovation, \$889 thousand of roadway and sidewalk infrastructure projects and street acceptances, \$981 thousand in various public safety and highway department vehicles, \$230 thousand in computer, network and copying equipment, \$219 thousand in various building related improvements, and a net of \$80 thousand in assorted departmental equipment.

Business-type activities capital assets were increased by \$1.08 million in investments and reduced by \$408 thousand in depreciation for a net increase of \$668 thousand. The increase was primarily due to \$930 thousand of investment in the Water enterprise fund related to the construction of the Witch Pond Well. The balance of the asset additions were associated with various Water department related equipment and vehicles.

In summary, total increases net of depreciation to town wide capital assets are \$3.65 million.

	Capital Assets (Net of Depreciation)								
	Governmental Activities			Business-type Activities			Total Primary Government		
	FY 2010	FY 2009	Increase (Decrease)	FY 2010	FY 2009	Increase (Decrease)	FY 2010	FY 2009	Increase (Decrease)
Land	\$ 6,461,525	\$ 6,461,525	-	\$ 692,282	\$ 692,282	-	\$ 7,153,807	\$ 7,153,807	-
Buildings	42,704,770	39,779,568	2,925,202	-	-	-	42,704,770	39,779,568	2,925,202
Capital Improvements (other than buildings)	118,253	95,527	22,726	-	-	-	118,253	95,527	22,726
Machinery, Equipment & Software	920,265	893,480	26,785	399,186	298,023	101,163	1,319,451	1,191,503	127,948
Software	270,614	374,499	(103,885)	-	-	-	270,614	374,499	(103,885)
Vehicles	2,789,100	2,364,406	424,694	76,171	109,551	(33,380)	2,865,271	2,473,957	391,314
Infrastructure	10,950,472	10,510,405	440,067	12,822,758	6,956,565	5,866,193	23,773,230	17,466,970	6,306,260
Construction in Progress	-	752,099	(752,099)	-	5,266,137	(5,266,137)	-	6,018,236	(6,018,236)
Total Capital Assets	\$64,214,999	\$61,231,509	\$ 2,983,490	\$13,990,398	\$13,322,558	\$ 667,840	\$78,205,397	\$74,554,067	\$ 3,651,330

Long Term Debt - The Town's debt burden is reasonable in relation to other communities its size. Outstanding long-term debt, as of June 30, 2010, totaled \$37.3 million. 93%, or \$25.8 million, of the governmental activity debt is excluded from the limits of proposition 2 1/2. Business-type activities have debt of \$9.5 million that is fully supported by their respective utility rates. Total debt consists of the following:

Outstanding Debt at Year End

Governmental Activities	Outstanding June 30, 2010	Outstanding June 30, 2009	Increase (Decrease)
School - High School	\$ 10,400,000	\$ -	\$ 10,400,000
School - Igo Elementary	245,000	490,000	(245,000)
School - Ahern Middle	875,000	950,000	(75,000)
School - Ahern Middle	3,280,000	3,500,000	(220,000)
School Remodeling	98,000	105,000	(7,000)
School Buses	-	35,000	(35,000)
Public Safety Building	9,967,000	10,616,000	(649,000)
Fire Engines	345,000	414,000	(69,000)
Senior Center	235,000	270,000	(35,000)
Highway Equipment	95,000	115,000	(20,000)
Land Acquisition	1,050,000	1,125,000	(75,000)
Land Acquisition	10,000	20,000	(10,000)
Landfill Closure	1,100,000	1,215,000	(115,000)
Title V	77,703	88,803	(11,100)
Total Governmental Activities	\$ 27,777,703	\$ 18,943,803	\$ 8,833,900
Business-type Activities	Outstanding June 30, 2010	Outstanding June 30, 2009	Increase (Decrease)
Sewer	\$ 209,776	\$ 236,433	\$ (26,657)
Sewer	50,000	55,516	(5,516)
Sewer	691,589	749,766	(58,177)
Sewer	-	20,000	(20,000)
Sewer	150,000	160,000	(10,000)
Water - Witch Pond Well	4,109,093	4,300,000	(190,907)
Water - Land Acquisition	30,000	40,000	(10,000)
Water - Reuse	1,490,000	1,605,000	(115,000)
Water	2,340,000	2,520,000	(180,000)
Water	416,681	442,308	(25,627)
Water	29,276	30,725	(1,449)
Total Business-type Activities	\$ 9,516,415	\$ 10,159,748	\$ (643,333)
Grand Total All Long-Term Debt	\$ 37,294,118	\$ 29,103,551	\$ 8,190,567

Please refer to **Notes 5 and 8** for further discussion of the major capital and debt activity.

Economic Factors and Next Year's Budgets & Rates

The Town's leadership (elected and appointed officials) considered many factors when setting the fiscal 2011 budget and tax rates including the following:

- The Town was able to balance its \$51.49 million general fund operating budget as a result of the combination of healthy expansion in new growth property taxes and local receipts, some increased use of free cash reserves, and no new major spending or program initiatives.
- Another significant factor was the estimated amount of local aid from the state for FY '11, which was down \$835 thousand on an inflation adjusted basis in FY '10 from the peak FY '01 levels. The Town absorbed another \$713 thousand year-over-year decrease in State Aid in FY '11 when combined with a \$481 thousand drop in Federal Stimulus pass through Aid.
- State aid to the Town is now \$1.2 million less than peak FY '01 levels on an inflation adjusted basis. The Town will continue to advocate for a more reliable state aid revenue stream.
- The state passed legislation allowing Massachusetts municipalities to pass a Local Option Meals Tax of 0.75% with 100% of the revenue going to the Town. Foxborough enacted this tax on its third attempt, effective for FY 2011. Meals Tax revenue is estimated by the Department of Revenue at \$600 thousand for the partial 2011 fiscal year, and over \$750 thousand for a full fiscal year.
- The Board of Selectmen is committed to only use the new Meal Tax revenue stream for non-operating uses such as funding the Town's Other Post Employment Benefits (OPEB) obligations, roadway improvements and other capital projects. In FY '11 the Town committed \$300 thousand towards the OPEB liability.
- The \$300 thousand OPEB funding referenced above was in addition to a \$1.265 million initial down payment the Town voted to fund its OPEB obligation in FY 2010 from dormant employee benefits related accounts. Going forward, the Town is committed to continue to fund this obligation annually on an increasing schedule with the new Meals Tax revenue.
- In light of the recent economic downturn nationwide, Town officials have agreed to maintain its healthy Free Cash reserves in order to ensure that services will be maintained throughout this recession and into the recovery. The Town brought \$1.6 million in uncommitted Free Cash reserves into FY '11.
- The same developer for Patriot Place, the Krafts, have previously proposed a technology office park complex, larger than the Patriot Place project in square footage terms, across the street from Patriot Place. This project is in the early planning stages and, given the current state of the economy, progress is expected to be slow. Nevertheless, Town officials are optimistic about the eventual substantial commercial growth targeted for the Town of Foxborough, as this additional commercial development will certainly have a continued positive impact on the Town's financial condition in future years.
- Due to reduced state aid, Town leadership continued its conservative approach to balancing general fund operating budgets by continuing to keep a very tight reign on spending. All major union contracts have been settled at a cost the Town can afford. All unions will have taken a 0% COLA in either FY '10 or FY '11. The Town continued its balanced reliance on "Free Cash" for the operating budget and, as a result, was able to fund its FY '11 general fund capital improvement needs (excluding buildings) exclusively from "Free Cash", other available funds, state grants and current year revenues, thus avoiding the need to borrow for new (non-building) capital projects in FY '11.
- The Town voted to renovate and expand its library building. Funding for the \$11.6 million project is from the combination of a state grant (\$3.6MM), private funding (\$500K), and a debt exclusion (\$7.5MM) supported overwhelmingly by the voters to cover its share of the project. The Town anticipates issuing the debt excluded bond in the 2nd half of FY '12.
- The Board of Water and Sewer commissioners voted to increase water rates by 12% and sewer rates by 5% for all customers effective July, 2010. These increases are expected to increase fiscal 2011 ending net assets, as well as assist the Water & Sewer enterprise funds in absorbing planned infrastructure improvement costs.

- In FY '11 another new major water treatment plant project known as Oak Street Well, was approved by the voters. \$7.6 million has been committed for this project from the Water Enterprise. \$600 thousand from current Water Enterprise funds, and the remainder is planned to be permanently financed through the state's Massachusetts Water Pollution Abatement Trust (MWPAT) at the state's subsidized rate of 2.0%. The debt service for this, and all Town water projects, is fully supported by water rate payers.
- The tax rate was set for fiscal 2011 at \$12.94 per thousand, a \$1.15 increase from fiscal 2010, a rate which brought the tax levy to the allowable levy limit for the 14th consecutive year.
- The Board of Selectmen voted during their annual Classification Hearing to maintain the same tax rate for all classes of property in order to continue to encourage development of the commercial tax base within the Town.
- In FY '11 the Town will receive the third, and final, increased Massachusetts School Building Authority (MSBA) reimbursements related to the Igo Elementary School project. The increase in the annual payment is approximately \$500 thousand. These increased payments combine for a total final reimbursement adjustment of \$1.5 million. This will result in a direct reduction in excluded debt taxes, a direct benefit to Foxborough tax payers.

Request for Information

This financial report is designed to provide a general overview of the Town of Foxborough'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 the Finance Director, 40 South Street, Foxborough, MA 02035. Financial and direct contact information can also be found on the Town of Foxborough's website at www.foxboroughma.gov.

**TOWN OF FOXBOROUGH, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 27,379,354	\$ 4,445,378	\$ 31,824,732
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	778,324	-	778,324
TAX LIENS	616,299	-	616,299
MOTOR VEHICLE EXCISE TAXES	147,328	-	147,328
USER FEES	-	2,001,471	2,001,471
DEPARTMENTAL AND OTHER	756,327	-	756,327
INTERGOVERNMENTAL	1,688,177	12,244	1,700,421
OTHER ASSETS	30,228	-	30,228
NONCURRENT:			
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	64,214,999	13,990,398	78,205,397
TOTAL ASSETS	<u>95,611,036</u>	<u>20,449,491</u>	<u>116,060,527</u>
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	3,861,730	137,061	3,998,791
HEALTH CLAIMS PAYABLE	1,244,543	-	1,244,543
OTHER LIABILITIES	19,805	-	19,805
ACCRUED INTEREST	179,022	38,661	217,683
LANDFILL POSTCLOSURE CARE COSTS	37,000	-	37,000
COMPENSATED ABSENCES	456,583	22,429	479,012
POSTEMPLOYMENT BENEFITS	1,224,759	32,176	1,256,935
BONDS AND NOTES PAYABLE	2,294,000	613,552	2,907,552
NONCURRENT:			
LANDFILL POSTCLOSURE CARE COSTS	666,000	-	666,000
COMPENSATED ABSENCES	653,890	68,155	722,045
POSTEMPLOYMENT BENEFITS	5,478,844	127,514	5,606,358
BONDS AND NOTES PAYABLE	25,736,603	8,902,863	34,639,466
TOTAL LIABILITIES	<u>41,852,779</u>	<u>9,942,411</u>	<u>51,795,190</u>
<u>NET ASSETS</u>			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	43,812,810	3,936,291	47,749,101
RESTRICTED FOR:			
STREETS	508,012	-	508,012
PERMANENT FUNDS:			
EXPENDABLE	373,043	-	373,043
NONEXPENDABLE	172,565	-	172,565
OTHER PURPOSES	4,033,048	-	4,033,048
UNRESTRICTED	4,858,779	6,570,789	11,429,568
TOTAL NET ASSETS	<u>\$ 53,758,257</u>	<u>\$ 10,507,080</u>	<u>\$ 64,265,337</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2010**

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 1,935,108	\$ 441,060	\$ 126,505	\$ -	\$ (1,367,543)
PUBLIC SAFETY	7,146,711	1,264,285	209,159	-	(5,673,267)
EDUCATION	32,576,835	1,608,800	10,963,517	974,866	(19,029,652)
PUBLIC WORKS	2,120,049	6,000	1,327	460,813	(1,651,909)
HUMAN SERVICES	763,748	192,288	55,604	-	(515,856)
CULTURE & RECREATION	1,222,698	136,644	269,476	-	(816,578)
EMPLOYEE BENEFITS	20,850,559	2,568,475	5,284,615	-	(12,997,469)
STATE & COUNTY ASSESSMENTS	302,188	-	-	-	(302,188)
INTEREST	1,023,642	-	-	-	(1,023,642)
TOTAL GOVERNMENTAL ACTIVITIES	67,941,538	6,217,552	16,910,203	1,435,679	(43,378,104)
BUSINESS-TYPE ACTIVITIES:					
WATER	2,432,006	3,532,599	373,229	21,617	1,495,439
SEWER	960,045	1,000,465	41,617	64,417	146,454
SANITATION	933,090	935,926	7,832	-	10,668
TOTAL BUSINESS-TYPE ACTIVITIES	4,325,141	5,468,990	422,678	86,034	1,652,561
TOTAL PRIMARY GOVERNMENT	\$ 72,266,679	\$ 11,686,542	\$ 17,332,881	\$ 1,521,713	\$ (41,725,543)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF FOXBOROUGH, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2010**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET ASSETS:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (43,378,104)	\$ 1,652,561	\$ (41,725,543)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	32,076,118	-	32,076,118
TAX LIENS	84,799	-	84,799
MOTOR VEHICLE AND OTHER EXCISE TAXES	2,026,084	-	2,026,084
HOTEL/MOTEL TAX	649,973	-	649,973
PENALTIES AND INTEREST ON TAXES	314,304	-	314,304
PAYMENTS IN LIEU OF TAXES	2,512,898	-	2,512,898
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,434,385	-	1,434,385
UNRESTRICTED INVESTMENT INCOME	246,705	-	246,705
MISCELLANEOUS	83,020	-	83,020
TRANSFERS, NET	583,871	(583,871)	-
TOTAL GENERAL REVENUES AND TRANSFERS	40,012,157	(583,871)	39,428,286
CHANGE IN NET ASSETS	(3,365,947)	1,068,690	(2,297,257)
NET ASSETS:			
BEGINNING OF YEAR	57,124,204	9,438,390	66,562,594
END OF YEAR	\$ 53,758,257	\$ 10,507,080	\$ 64,265,337

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF FOXBOROUGH, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010**

<u>ASSETS</u>	GENERAL	HIGH SCHOOL RENOVATION	STABILIZATION	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 10,834,229	\$ 8,271,297	\$ 2,591,157	\$ 4,426,049	\$ 26,122,732
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:					
REAL ESTATE AND PERSONAL PROPERTY TAXES	778,324	-	-	-	778,324
TAX LIENS	616,299	-	-	-	616,299
MOTOR VEHICLE EXCISE TAXES	147,328	-	-	-	147,328
DEPARTMENTAL AND OTHER	-	-	-	288,751	288,751
INTERGOVERNMENTAL	665,554	-	-	1,022,623	1,688,177
OTHER ASSETS	30,228	-	-	-	30,228
TOTAL ASSETS	\$ 13,071,962	\$ 8,271,297	\$ 2,591,157	\$ 5,737,423	\$ 29,671,839
 <u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
ACCOUNTS PAYABLE	\$ 2,856,843	\$ 947,773	\$ -	\$ 57,114	\$ 3,861,730
OTHER LIABILITIES	19,805	-	-	-	19,805
DEFERRED REVENUES	2,001,869	-	-	796,763	2,798,632
NOTES PAYABLE	-	-	-	252,900	252,900
TOTAL LIABILITIES	4,878,517	947,773	-	1,106,777	6,933,067
FUND BALANCES:					
RESERVED FOR:					
ENCUMBRANCES AND CONTINUING APPROPRIATIONS	1,622,182	-	-	-	1,622,182
PERPETUAL PERMANENT FUNDS	-	-	-	172,565	172,565
UNRESERVED					
DESIGNATED FOR SUBSEQUENT YEARS' EXPENDITURES	1,943,884	-	-	-	1,943,884
UNDESIGNATED, REPORTED IN:					
GENERAL FUND	4,627,379	-	-	-	4,627,379
SPECIAL REVENUE FUNDS	-	-	2,591,157	4,033,048	6,624,205
CAPITAL PROJECTS FUNDS	-	7,323,524	-	51,990	7,375,514
PERMANENT FUNDS	-	-	-	373,043	373,043
TOTAL FUND BALANCES	8,193,445	7,323,524	2,591,157	4,630,646	22,738,772
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,071,962	\$ 8,271,297	\$ 2,591,157	\$ 5,737,423	\$ 29,671,839

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2010**

	GENERAL	HIGH SCHOOL RENOVATION	STABILIZATION	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 31,963,045	\$ -	\$ -	\$ -	\$ 31,963,045
MOTOR VEHICLE EXCISE TAXES	1,978,513	-	-	-	1,978,513
PENALTIES AND INTEREST ON TAXES	314,304	-	-	-	314,304
INTERGOVERNMENTAL	15,369,519	974,866	-	3,047,278	19,391,663
PAYMENTS IN LIEU OF TAXES	2,512,898	-	-	-	2,512,898
CHARGES FOR SERVICES	-	-	-	2,451,845	2,451,845
INVESTMENT INCOME	226,125	-	14,409	37,964	278,498
CONTRIBUTIONS & DONATIONS	-	-	-	355,958	355,958
DEPARTMENTAL AND OTHER	1,908,834	-	-	65,009	1,973,843
TOTAL REVENUES	54,273,238	974,866	14,409	5,958,054	61,220,567
EXPENDITURES:					
CURRENT:					
GENERAL GOVERNMENT	1,784,397	-	-	65,106	1,849,503
PUBLIC SAFETY	7,076,148	-	-	172,324	7,248,472
EDUCATION	27,350,147	3,468,215	-	4,200,146	35,018,508
PUBLIC WORKS	2,186,922	-	-	513,573	2,700,495
HUMAN SERVICES	583,466	-	-	164,760	748,226
CULTURE & RECREATION	1,012,671	-	-	207,764	1,220,435
EMPLOYEE BENEFITS	14,549,334	-	-	-	14,549,334
STATE & COUNTY ASSESSMENTS	302,188	-	-	-	302,188
DEBT SERVICE					
PRINCIPAL	1,555,000	-	-	11,100	1,566,100
INTEREST	928,786	-	-	5,905	934,691
TOTAL EXPENDITURES	57,329,059	3,468,215	-	5,340,678	66,137,952
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,055,821)	(2,493,349)	14,409	617,376	(4,917,385)
OTHER FINANCING SOURCES (USES)					
PROCEEDS FROM BONDS AND NOTES	-	10,400,000	-	-	10,400,000
OPERATING TRANSFERS IN	1,960,477	-	-	40,000	2,000,477
OPERATING TRANSFERS OUT	(40,000)	-	-	(772,160)	(812,160)
TOTAL OTHER FINANCING SOURCES (USES)	1,920,477	10,400,000	-	(732,160)	11,588,317
NET CHANGE IN FUND BALANCES	(1,135,344)	7,906,651	14,409	(114,784)	6,670,932
FUND BALANCES AT BEGINNING OF YEAR	9,328,789	(583,127)	2,576,748	4,745,430	16,067,840
FUND BALANCES AT END OF YEAR	\$ 8,193,445	\$ 7,323,524	\$ 2,591,157	\$ 4,630,646	\$ 22,738,772

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2010**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 22,738,772
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		64,214,999
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		2,798,632
INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO ACCOUNT FOR EMPLOYEES' AND RETIREES' HEALTH INSURANCE, UNEMPLOYMENT, WORKMEN'S COMPENSATION AND BUILDING INSURANCE ACTIVITIES.		
THE ASSETS AND LIABILITIES OF THE INTERNAL SERVICE FUNDS ARE INCLUDED IN THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET ASSETS		479,655
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(179,022)
LONG-TERM LIABILITIES ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE GOVERNMENTAL FUNDS		
BONDS AND NOTES PAYABLE	(27,777,703)	
COMPENSATED ABSENCES	(1,110,473)	
POSTEMPLOYMENT BENEFITS	(6,703,603)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(703,000)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(36,294,779)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 53,758,257</u></u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2010**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 6,670,932
<p>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.</p>		
CAPITAL OUTLAY	5,866,834	
DEPRECIATION EXPENSE	<u>(2,883,344)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		2,983,490
<p>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</p>		
		(338,823)
<p>THE ISSUANCE OF LONG-TERM DEBT (E.G., BONDS) PROVIDES CURRENT FINANCIAL RESOURCES TO GOVERNMENTAL FUNDS, WHILE THE REPAYMENT OF THE PRINCIPAL OF LONG-TERM DEBT CONSUMES THE FINANCIAL RESOURCES OF GOVERNMENTAL FUNDS. NEITHER TRANSACTION, HOWEVER, HAS ANY EFFECT ON NET ASSETS. ALSO, GOVERNMENTAL FUNDS REPORT THE EFFECT OF ISSUANCE COSTS, PREMIUMS, DISCOUNTS, AND SIMILAR ITEMS WHEN DEBT IS FIRST ISSUED, WHEREAS THESE AMOUNTS ARE DEFERRED AND AMORTIZED IN THE STATEMENT OF ACTIVITIES.</p>		
PROCEEDS FROM BONDS AND NOTES	(10,400,000)	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>1,566,100</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		(8,833,900)
<p>SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED AS EXPENDITURES IN THE GOVERNMENTAL FUNDS.</p>		
NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	(24,064)	
NET CHANGE IN POSTEMPLOYMENT BENEFITS ACCRUAL	(2,787,037)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	37,000	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>(88,951)</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		(2,863,052)
<p>INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO ACCOUNT FOR HEALTH INSURANCE ACTIVITIES</p>		
THE NET ACTIVITY OF INTERNAL SERVICE FUNDS IS REPORTED WITH GOVERNMENTAL ACTIVITIES		<u>(984,594)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ (3,365,947)</u>
<p>See accompanying notes to the basic financial statements</p>		

**TOWN OF FOXBOROUGH, MASSACHUSETTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2010**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE OVER(UNDER)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 32,451,580	\$ 32,451,580	\$ 31,963,045	\$ (488,535)
MOTOR VEHICLE EXCISE TAXES	2,050,000	2,050,000	1,978,513	(71,487)
PENALTIES & INTEREST ON TAXES	80,000	80,000	314,304	234,304
INTERGOVERNMENTAL	10,827,132	10,827,132	10,626,405	(200,727)
PAYMENTS IN LIEU OF TAXES	1,151,035	1,151,035	2,512,898	1,361,863
INVESTMENT INCOME	100,000	100,000	226,125	126,125
DEPARTMENTAL AND OTHER	1,912,602	1,912,602	1,908,834	(3,768)
TOTAL REVENUES	48,572,349	48,572,349	49,530,124	957,775
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	2,256,673	2,147,976	2,024,511	123,465
PUBLIC SAFETY	7,373,845	7,435,344	7,281,778	153,566
EDUCATION	28,172,397	28,172,397	27,842,817	329,580
PUBLIC WORKS	1,999,247	2,017,200	2,246,275	(229,075)
HUMAN SERVICES	566,528	586,658	583,467	3,191
CULTURE & RECREATION	1,022,168	1,028,425	1,011,321	17,104
EMPLOYEE BENEFITS	8,648,539	9,916,397	9,875,680	40,717
STATE & COUNTY ASSESSMENTS	314,407	314,407	302,188	12,219
DEBT SERVICE:				
PRINCIPAL	1,555,000	1,555,000	1,555,000	-
INTEREST	950,783	950,783	928,786	21,997
TOTAL EXPENDITURES	52,859,587	54,124,587	53,651,823	472,764
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,287,238)	(5,552,238)	(4,121,699)	1,430,539
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	1,356,493	1,356,493	1,960,477	603,984
OPERATING TRANSFERS OUT	-	-	(40,000)	(40,000)
TOTAL OTHER FINANCING SOURCES (USES)	1,356,493	1,356,493	1,920,477	563,984
NET CHANGE IN FUND BALANCE	(2,930,745)	(4,195,745)	(2,201,222)	1,994,523
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	8,762,906	8,762,906	8,762,906	-
BUDGETARY FUND BALANCE, END OF YEAR	\$ 5,832,161	\$ 4,567,161	\$ 6,561,684	\$ 1,994,523

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2010**

<u>ASSETS</u>	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL ACTIVITIES</u>
	<u>WATER</u>	<u>SEWER</u>	<u>SANITATION</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUNDS</u>
CURRENT:					
CASH AND SHORT-TERM INVESTMENTS	\$ 3,411,406	\$ 567,809	\$ 466,163	\$ 4,445,378	\$ 1,256,622
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	1,288,934	674,188	38,349	2,001,471	-
INTERGOVERNMENTAL	12,244	-	-	12,244	-
DEPARTMENTAL AND OTHER	-	-	-	-	467,576
TOTAL CURRENT ASSETS	<u>4,712,584</u>	<u>1,241,997</u>	<u>504,512</u>	<u>6,459,093</u>	<u>1,724,198</u>
NONCURRENT:					
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	12,270,790	1,719,608	-	13,990,398	-
TOTAL ASSETS	<u>16,983,374</u>	<u>2,961,605</u>	<u>504,512</u>	<u>20,449,491</u>	<u>1,724,198</u>
 <u>LIABILITIES</u>					
CURRENT:					
ACCOUNTS PAYABLE	95,450	4,864	36,747	137,061	-
HEALTH CLAIMS PAYABLE	-	-	-	-	1,244,543
ACCRUED INTEREST	36,320	2,341	-	38,661	-
COMPENSATED ABSENCES	20,186	2,243	-	22,429	-
POSTEMPLOYMENT BENEFITS	25,741	6,435	-	32,176	-
BONDS AND NOTES PAYABLE	512,456	101,096	-	613,552	-
TOTAL CURRENT LIABILITIES	<u>690,153</u>	<u>116,979</u>	<u>36,747</u>	<u>843,879</u>	<u>1,244,543</u>
NONCURRENT:					
COMPENSATED ABSENCES	61,340	6,815	-	68,155	-
POSTEMPLOYMENT BENEFITS	102,011	25,503	-	127,514	-
BONDS AND NOTES PAYABLE	7,902,594	1,000,269	-	8,902,863	-
TOTAL NONCURRENT LIABILITIES	<u>8,065,945</u>	<u>1,032,587</u>	<u>-</u>	<u>9,098,532</u>	<u>-</u>
TOTAL LIABILITIES	<u>8,756,098</u>	<u>1,149,566</u>	<u>36,747</u>	<u>9,942,411</u>	<u>1,244,543</u>
 <u>NET ASSETS</u>					
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	3,340,964	595,326	-	3,936,291	-
UNRESTRICTED	4,886,312	1,216,713	467,765	6,570,789	479,655
TOTAL NET ASSETS	<u>\$ 8,227,276</u>	<u>\$ 1,812,039</u>	<u>\$ 467,765</u>	<u>\$ 10,507,080</u>	<u>\$ 479,655</u>

See accompanying notes to the basic financial statements

TOWN OF FOXBOROUGH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FISCAL YEAR ENDED JUNE 30, 2010

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL ACTIVITIES</u>
	<u>WATER</u>	<u>SEWER</u>	<u>SANITATION</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUNDS</u>
<u>OPERATING REVENUES:</u>					
CHARGES FOR SERVICES	\$ 3,532,599	\$ 1,000,465	\$ 935,926	\$ 5,468,990	\$ -
EMPLOYER CONTRIBUTIONS	-	-	-	-	5,051,488
EMPLOYEE CONTRIBUTIONS	-	-	-	-	2,568,475
DEPARTMENTAL AND OTHER	<u>340,955</u>	<u>35,263</u>	<u>-</u>	<u>376,218</u>	<u>533,435</u>
TOTAL OPERATING REVENUES	<u>3,873,554</u>	<u>1,035,728</u>	<u>935,926</u>	<u>5,845,208</u>	<u>8,153,398</u>
<u>OPERATING EXPENSES:</u>					
GENERAL SERVICES	1,832,416	837,848	933,090	3,603,354	-
DEPRECIATION	347,977	60,418	-	408,395	-
EMPLOYEE BENEFITS	-	-	-	-	8,541,612
TOTAL OPERATING EXPENSES	<u>2,180,393</u>	<u>898,266</u>	<u>933,090</u>	<u>4,011,749</u>	<u>8,541,612</u>
OPERATING INCOME (LOSS)	1,693,161	137,462	2,836	1,833,459	(388,214)
<u>NON-OPERATING REVENUES (EXPENSES):</u>					
INTERGOVERNMENTAL	21,617	64,417	-	86,034	-
INVESTMENT INCOME	32,274	6,354	7,832	46,460	8,066
INTEREST EXPENSE	<u>(251,613)</u>	<u>(61,779)</u>	<u>-</u>	<u>(313,392)</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	<u>(197,722)</u>	<u>8,992</u>	<u>7,832</u>	<u>(180,898)</u>	<u>8,066</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,495,439	146,454	10,668	1,652,561	(380,148)
<u>OPERATING TRANSFERS:</u>					
OPERATING TRANSFERS OUT	<u>(454,207)</u>	<u>(59,441)</u>	<u>(70,223)</u>	<u>(583,871)</u>	<u>(604,446)</u>
CHANGE IN NET ASSETS	1,041,232	87,013	(59,555)	1,068,690	(984,594)
NET ASSETS AT BEGINNING OF YEAR	<u>7,186,044</u>	<u>1,725,026</u>	<u>527,320</u>	<u>9,438,390</u>	<u>1,464,249</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,227,276</u>	<u>\$ 1,812,039</u>	<u>\$ 467,765</u>	<u>\$ 10,507,080</u>	<u>\$ 479,655</u>

See accompanying notes to the basic financial statements

TOWN OF FOXBOROUGH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FISCAL YEAR ENDED JUNE 30, 2010

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	WATER	SEWER	SANITATION	TOTAL	INTERNAL SERVICE FUNDS
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
EMPLOYER CONTRIBUTIONS	\$ -	\$ -	\$ -	\$ -	\$ 5,051,488
EMPLOYEE CONTRIBUTIONS	-	-	-	-	2,568,475
RECEIPTS FROM CUSTOMERS AND USERS	3,497,207	1,071,425	918,733	5,487,365	65,859
PAYMENTS TO SUPPLIERS	(1,046,534)	(763,239)	(904,064)	(2,713,837)	(8,516,495)
PAYMENTS TO EMPLOYEES	(723,220)	(62,339)	(29,329)	(814,888)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,727,453</u>	<u>245,847</u>	<u>(14,660)</u>	<u>1,958,640</u>	<u>(830,673)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>					
OPERATING TRANSFERS IN (OUT)	(454,207)	(59,441)	(70,223)	(583,871)	(604,446)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(454,207)</u>	<u>(59,441)</u>	<u>(70,223)</u>	<u>(583,871)</u>	<u>(604,446)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>					
PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	856,128	-	-	856,128	-
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(518,213)	(94,557)	-	(612,770)	-
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(1,669,806)	-	-	(1,669,806)	-
INTEREST EXPENSE	(227,889)	(23,512)	-	(251,401)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(1,559,780)</u>	<u>(118,069)</u>	<u>-</u>	<u>(1,677,849)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
INTEREST RECEIVED	32,274	6,353	7,832	46,459	8,066
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	<u>32,274</u>	<u>6,353</u>	<u>7,832</u>	<u>46,459</u>	<u>8,066</u>
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	(254,260)	74,690	(77,051)	(256,621)	(1,427,053)
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	3,665,666	493,119	543,214	4,701,999	2,683,675
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	<u>\$ 3,411,406</u>	<u>\$ 567,809</u>	<u>\$ 466,163</u>	<u>\$ 4,445,378</u>	<u>\$ 1,256,622</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>					
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>					
OPERATING INCOME (LOSS)	\$ 1,693,161	\$ 137,462	\$ 2,836	\$ 1,833,459	\$ (388,214)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)					
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
DEPRECIATION	347,977	60,418	-	408,395	-
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(376,347)	35,697	(17,193)	(357,843)	(467,576)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	3,084	(1,733)	(303)	1,048	-
INCREASE (DECREASE) IN HEALTH CLAIMS PAYABLE	-	-	-	-	25,117
INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE	6,414	712	-	7,126	-
INCREASE (DECREASE) IN POSTEMPLOYMENT BENEFITS	53,164	13,291	-	66,455	-
TOTAL ADJUSTMENTS	<u>34,292</u>	<u>108,385</u>	<u>(17,496)</u>	<u>125,181</u>	<u>(442,459)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,727,453</u>	<u>\$ 245,847</u>	<u>\$ (14,660)</u>	<u>\$ 1,958,640</u>	<u>\$ (830,673)</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010**

<u>ASSETS</u>	POSTEMPLOYMENT BENEFITS TRUST	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 1,386,718	\$ 25,625	\$ 83,641
INVESTMENTS	-	43,794	-
TOTAL ASSETS	1,386,718	69,419	83,641
 <u>LIABILITIES</u>			
OTHER LIABILITIES	-	-	83,641
 <u>NET ASSETS</u>			
HELD IN TRUST FOR PLAN PARTICIPANTS	1,386,718	-	-
HELD IN TRUST FOR OTHER PURPOSES	-	69,419	-
TOTAL	\$ 1,386,718	\$ 69,419	\$ -

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FISCAL YEAR ENDED JUNE 30, 2010**

	POSTEMPLOYMENT BENEFITS TRUST	PRIVATE PURPOSE TRUST FUNDS
<u>ADDITIONS:</u>		
CONTRIBUTIONS:		
EMPLOYER	\$ 1,265,000	\$ -
DEPARTMENTAL	121,718	-
NET INVESTMENT INCOME (LOSS):		
INVESTMENT INCOME	-	10,167
	1,386,718	10,167
TOTAL ADDITIONS		
	1,386,718	10,167
<u>DEDUCTIONS:</u>		
EDUCATIONAL SCHOLARSHIPS	-	600
CHANGE IN NET ASSETS	1,386,718	9,567
NET ASSETS AT BEGINNING OF YEAR	-	59,852
NET ASSETS AT END OF YEAR	\$ 1,386,718	\$ 69,419

See accompanying notes to the basic financial statements

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Foxborough, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant Town accounting policies:

A. Reporting Entity

Primary Government

The Town is a municipal corporation that is governed by a five member Board of Selectmen (the Board). The Board is responsible for appointing a Town Manager whose responsibility is to manage the day to day operations. For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units, blended or discretely presented, for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. It has been determined that there are no component units (blended or discretely presented) for inclusion in the primary government’s financial reporting entity.

Joint Venture

Municipal joint ventures pool resources to share the costs, risks and rewards of providing services to their participants, the general public or others. The Town is a participant in the following joint venture:

Name	Purpose	Address	Annual Assessment
Southeast Regional Vocational School District	To provide vocational education	250 Foundry Street Easton, MA 02375	\$ 320,658

The Southeast Regional Vocational School District (the District) is governed by a ten (10) member school committee consisting of one (1) elected representative from each participating municipality. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has no equity interest in the joint venture.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds 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. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

A fund is considered major if it is the primary operating fund of the Town or it meets the following criteria:

- a. If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- b. If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service funds and fiduciary funds are reported by fund type.

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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal 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.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- a. *Charges to customers* or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- b. *Grants and contributions* that are restricted to meeting the operational requirements of a particular function or segment.
- c. *Grants and contributions* that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and the various enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when due, and the non-current portion of compensated absences, landfill post closure care costs, and other postemployment benefits (**OPEB**) which are recognized when the obligations are expected to be liquidated with current expendable available resources.

In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The Town considers property taxes as available if they are due and collected within 60 days after fiscal year-end. Licenses and permits, user charges, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received. Investment earnings are recorded as earned.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

The Town reports the following major governmental funds:

- The *General fund* is the primary operating fund of the Town. It is used to account for all financial resources, except those that are required to be accounted for in another fund.
- The *High School Renovation fund* is a capital project fund used to account for the renovation activity of the high school.
- The *Stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide general and/or capital reserves.
- The *Nonmajor Governmental funds* consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:
 - The *Special Revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
 - The *Capital Projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and trust funds).
 - The *Permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary Fund Financial Statements

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

- The *Water Enterprise fund* is used to account for water activities.
- The *Sewer Enterprise fund* is used to account for sewer activities.
- The *Sanitation Enterprise fund* is used to account for the operations of the trash collection activities.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Additionally, the following proprietary fund type is reported:

- The *Internal Service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to health insurance and workers' compensation.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held by the Town in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

- The *Private-Purpose Trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund (nonmajor governmental funds), under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Postemployment Benefits Trust fund* is used to account for assets held to fund future postemployment benefits of current and retired employees.
- The *Agency fund* is used to account for assets held in a purely custodial capacity.

Government-Wide and Fund Financial Statements

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and short term investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

E. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and proprietary and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent November 1 and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges. By law, all taxable property in the Commonwealth must be assessed at 100% of fair market value. Once levied, which is required to be at least 30 days prior to the due date, these taxes are recorded as receivables in the fiscal year of levy. Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation statute known as "Proposition 2 ½" limits the amount of increase in property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½ % of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year's levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2 ½ can be overridden by a Town-wide referendum.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Water and Sewer

User fees are levied (monthly, quarterly and semi-annually) based on residential and commercial meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Water and sewer charges and related liens are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables consist primarily of ambulance and title V receivables and are recorded as receivables in the fiscal year accrued. The allowance for uncollectible accounts for ambulance receivables is estimated based on historical trends and specific account analysis.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

F. Inventories

Government-Wide and Fund Financial Statements

Inventories of the governmental funds and the water, sewer and sanitation enterprise funds are recorded as expenditures at the time of purchase. Such inventories are not material in total to the basic financial statements, and therefore are not reported.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, vehicles, buildings and improvements, capital improvements, machinery and equipment, software, infrastructure (e.g., water mains, sewer mains, roadways, and similar items), and construction in progress are reported in the applicable governmental or business-type activities column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets if material.

All purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of three years or greater.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Asset Class</u>	<u>Estimated Useful Life (in years)</u>
Buildings and Improvements	10-40
Capital Improvements (other than buildings)	10-20
Machinery and Equipment	5-15
Vehicles	5-15
Infrastructure	40
Software	3-5

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the fiscal year of purchase for the various funds.

H. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

Government-Wide Financial Statements

Operating transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

J. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets are classified into three components:

- a. *Invested in capital assets, net of related debt* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net assets* – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Net assets have been “restricted” for the following:

- *Streets* represent amounts committed by the Commonwealth of Massachusetts for the repair and/or construction of streets.
 - *Permanent funds – expendable* represents amounts held in trust for which the expenditures are restricted by various trust agreements.
 - *Permanent funds – nonexpendable* represents amounts held in trust for which only investment earnings may be expended.
 - *Other specific purposes* represent restrictions placed on assets from outside parties.
- c. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Fund Financial Statements (Fund Balances)

- a. *Fund balances* consist of funds that are reserved for amounts, that are not available for appropriation, that are legally restricted by outside parties for a specific future use, and designations of fund balances that represent tentative management plans that are subject to change.

Fund balances have been reserved for the following:

- *Encumbrances and continuing appropriations* represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.
- *Perpetual permanent funds* represent amounts held in trust for which only investment earnings may be expended.

Fund balances have been designated for the following:

- *Subsequent year's expenditures* represents amounts appropriated for the fiscal year 2011 operating budget.
- b. *Undesignated fund balances* – all other fund balances that do not meet the definition of “reserved” or “designated.”

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

M. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (*MGL*).

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

N. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay.

Government-Wide and Proprietary Fund Financial Statements

The total amount to be paid in future years is presented in the government-wide and proprietary fund statement of net assets. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date (vesting method).

Governmental Fund Financial Statements

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2010 is recorded in the governmental fund financial statement.

O. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could vary from estimates that were used.

P. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not comparable to the consolidated financial information.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Basis of Accounting

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the Town adopts an annual budget for the general fund. The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Town Manager. The School Department budget is prepared under the direction of the School Committee. The level of expenditures may not legally exceed appropriations for each department or undertaking in the following categories: (1) salaries and wages; (2) ordinary maintenance; and (3) capital outlays.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carryforward articles, not encumbrances, are included as part of the subsequent fiscal year's original budget.

Original and supplemental appropriations are enacted upon by a Town Meeting vote. Management may not amend the budget without seeking the approval of the governing body. The Town's Advisory Committee can legally transfer funds from its reserve fund to other appropriations within the budget without seeking Town Meeting approvals. Also, as per Chapter 77 of the Acts 2007, the Town Manager with the concurrence of the Advisory Committee can make transfers in accordance with the limitations of this state statute. The original fiscal year 2010 approved budget authorized \$51,882,320 in current year appropriations and other amounts to be raised and \$977,267 in articles carried forward from previous fiscal years. Supplemental appropriations of \$1,265,000 were approved at one Special Town Meeting for fiscal year 2010.

The Finance Director has the responsibility to ensure that budgetary controls are maintained and monitored through the accounting system.

B. Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2010, is presented below:

Net change in fund balance - budgetary basis	\$ (2,201,222)
Basis of accounting differences:	
Increase in revenue for on-behalf payments - MTRS	4,743,114
Increase in expenditures for on-behalf payments - MTRS	(4,743,114)
Adjustment for Current Year Encumbrances	840,978
Adjustment for Current Year Articles	629,224
Adjustment for expenditures from prior year encumbrances	<u>(404,324)</u>
Net change in fund balance - GAAP basis	<u>\$ (1,135,344)</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2010, actual expenditures exceeded appropriations for the snow and ice expenditures account. These over-expenditures will be funded by available funds during fiscal year 2011, as is allowed by Massachusetts General Laws (MGL).

D. Deficit Fund Balance

A fund deficit exists within the special revenue funds. This deficit will be eliminated through subsequent fiscal year budget transfers, grants and/or proceeds of long term debt.

NOTE 3 – DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels unless collateralized by the financial institutions involved.

Deposits

▪ *Custodial Credit Risk - Deposits*

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the deposits "in a bank or trust company, or banking company to an amount not exceeding sixty percent (60%) of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess."

When possible, deposits should be made to institutions maintaining FDIC and DIF insurance or commercial institutions offering collateralization of funds above the FDIC limits.

The Town carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC) and the Depositor's Insurance Fund (DIF). The Town also carries deposits that are uninsured, uncollateralized, or collateral held by the pledging bank's trust department not in the Town's name.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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The following table illustrates how much of the Town's bank deposits are insured, and how much of the Town's bank deposits are uninsured, uncollateralized, or collateral held by the pledging bank's trust department not in the Town's name as of June 30, 2010:

Total bank balances		<u>\$ 34,177,423</u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	1,285,755	
Depositor's Insurance Fund (DIF)	<u>2,753,515</u>	
Total bank balances covered by deposit insurance		4,039,270
Balances subject to custodial credit risk		
Bank balances collateralized with securities held by the pledging financial institutions trust department or agent but not in the Town's name	8,454,132	
Bank balances uninsured & uncollateralized	<u>21,684,021</u>	
Total bank balances subject to custodial credit risk		<u>30,138,153</u>
Total bank balances		<u>\$ 34,177,423</u>

On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009. On May 20, 2009, the temporary increase in coverage was extended through December 31, 2013.

Investments

Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreement guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns, and other state and local agencies within the Commonwealth. The Town's fair value of its investment in MMDT represents their value of the pool's shares. The Town's Trust Funds have expanded investment powers including the ability to invest in equity securities, corporate bonds, annuities and other specified investments.

The composition of the Town's bank recorded deposits and investments fluctuates depending primarily on the timing of property tax receipts, proceeds from borrowings, collections of state and federal aid, and capital outlays throughout the year.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

As of June 30, 2010, the Town had the following investments:

<u>Investment type</u>	<u>Fair value</u>
<u>Other Investments</u>	
Common Stocks	<u>\$ 43,794</u>

- **Credit Risk**

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

<u>Investment type</u>	<u>Minimum Legal Rating</u>	<u>Exempt from Disclosure</u>
<u>Other Investments</u>		
Common Stocks	N/A	<u>\$ 43,794</u>

- *Custodial Credit Risk*

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. Of the investments in equity securities listed above, the Town has no custodial credit risk exposure because the related equity securities are registered in the Town's name and held by the counterparty.

The Town will minimize Custodial Credit Risk (loss due to the failure of the security issuer) by limiting investments to those approved by the Commonwealth of Massachusetts Commissioners of Banks known as the "legal" list.

- *Interest Rate Risk*

Interest rate risk is the risk of changes in market interest rates which will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk of its fair value changing with the market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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- *Concentration of Credit Risk*

The Town places no limit on the amount the government may invest in any one issuer. The Town did not have any investments in any one issuer (other than common stocks) that represented 5% or more of total investments.

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. Investments in foreign currency are not permitted.

Investments in stocks and preferred stocks and bonds shall adhere to the legal list and not exceed 20% of the total portfolio nor an amount greater than the non-expendable trusts. These investments are long term and care should be taken to preserve principal value.

NOTE 4 – RECEIVABLES

The receivables at June 30, 2010 for the Town’s individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate taxes	\$ 739,871	\$ -	\$ 739,871
Personal property taxes	93,953	(55,500)	38,453
Real estate and personal property taxes	833,824	(55,500)	778,324
Tax liens	616,299	-	616,299
Motor vehicle excise taxes	190,928	(43,600)	147,328
Departmental and other	901,457	(145,130)	756,327
Intergovernmental	1,688,177	-	1,688,177
Total	<u>\$ 4,230,685</u>	<u>\$ (244,230)</u>	<u>\$ 3,986,455</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

The receivables at June 30, 2010, for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water</i>			
User fees	\$ 1,288,934	\$ -	\$ 1,288,934
Intergovernmental	12,244	-	12,244
<i>Sewer</i>			
User fees	674,188	-	674,188
<i>Sanitation</i>			
User fees	38,349	-	38,349
Total	\$ 2,013,715	\$ -	\$ 2,013,715

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with revenues that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Deferred Revenue Analysis

Receivable Type:	General Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 572,688	\$ -	\$ 572,688
Tax Liens	616,299	-	616,299
Motor vehicle excise taxes	147,328	-	147,328
Departmental and other	-	288,751	288,751
Intergovernmental	665,554	508,012	1,173,566
Total	\$ 2,001,869	\$ 796,763	\$ 2,798,632

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases & Reclassifications	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 6,461,525	\$ -	\$ -	\$ 6,461,525
Construction in progress	752,099	-	(752,099)	-
Total capital assets not being depreciated	7,213,624	-	(752,099)	6,461,525
<i>Capital assets being depreciated:</i>				
Buildings and improvements	61,642,385	3,670,441	752,099	66,064,925
Capital improvements (other than buildings)	167,965	39,622	-	207,587
Machinery and equipment	2,015,171	293,630	-	2,308,801
Vehicles	7,517,124	975,805	-	8,492,929
Software	545,186	5,725	-	550,911
Infrastructure	15,867,239	881,611	-	16,748,850
Total capital assets being depreciated	87,755,070	5,866,834	752,099	94,374,003
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(21,862,817)	(1,497,338)	-	(23,360,155)
Capital improvements (other than buildings)	(72,438)	(16,896)	-	(89,334)
Machinery and equipment	(1,121,691)	(266,845)	-	(1,388,536)
Vehicles	(5,152,718)	(551,111)	-	(5,703,829)
Software	(170,687)	(109,610)	-	(280,297)
Infrastructure	(5,356,834)	(441,544)	-	(5,798,378)
Total accumulated depreciation	(33,737,185)	(2,883,344)	-	(36,620,529)
Total capital assets being depreciated, net	54,017,885	2,983,490	752,099	57,753,474
Total governmental activities capital assets, net	\$ 61,231,509	\$ 2,983,490	\$ -	\$ 64,214,999

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Business-Type Activities:	Beginning Balance	Increases	Decreases & Reclassifications	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 692,282	\$ -	\$ -	\$ 692,282
Construction in progress	5,266,137	-	(5,266,137)	-
Total capital assets not being depreciated	<u>5,958,419</u>	<u>-</u>	<u>(5,266,137)</u>	<u>692,282</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	655,300	-	-	655,300
Machinery and equipment	699,974	145,808	-	845,782
Vehicles	194,399	-	-	194,399
Infrastructure	11,233,285	930,427	5,266,137	17,429,849
Total capital assets being depreciated	<u>12,782,958</u>	<u>1,076,235</u>	<u>5,266,137</u>	<u>19,125,330</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(655,300)	-	-	(655,300)
Machinery and equipment	(401,952)	(44,645)	-	(446,597)
Vehicles	(84,847)	(33,380)	-	(118,227)
Infrastructure	(4,276,720)	(330,370)	-	(4,607,090)
Total accumulated depreciation	<u>(5,418,819)</u>	<u>(408,395)</u>	<u>-</u>	<u>(5,827,214)</u>
Total capital assets being depreciated, net	<u>7,364,139</u>	<u>667,840</u>	<u>5,266,137</u>	<u>13,298,116</u>
Total business-type activities capital assets, net	<u>\$ 13,322,558</u>	<u>\$ 667,840</u>	<u>\$ -</u>	<u>\$ 13,990,398</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 119,754
Public safety	721,213
Education	1,431,294
Public works	581,114
Human services	17,302
Culture and recreation	12,667
Total depreciation expense - governmental activities	\$ 2,883,344

Business-Type Activities:	
Water	\$ 347,977
Sewer	60,418
Total depreciation expense - business-type activities	\$ 408,395

Construction Commitments

The Town has an active construction project in the High School Renovation Major Fund as of June 30, 2010. At year end the Town's project commitments for the various contractors and engineers are as follows:

Project	Spent to Date	Remaining Commitment
High School Renovations	\$ 4,060,701	\$ 9,136,443

The commitment for the High School Renovation project will be funded by grant proceeds and the issuance of long-term debt.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2010, are summarized as follows:

<u>Operating Transfers Out:</u>	<u>Operating Transfers In:</u>		
	General Fund	Nonmajor Governmental Funds	Total
Nonmajor Governmental Funds	\$ 736,000	\$ -	\$ 736,000 (1)
Nonmajor Governmental Funds	36,160	-	36,160 (4)
Internal Service Fund	604,446	-	604,446 (4)
Water Enterprise Fund	454,207	-	454,207 (2)
Sewer Enterprise Fund	59,441	-	59,441 (2)
Sanitation Enterprise Fund	70,223	-	70,223 (2)
General Fund	<u>-</u>	<u>40,000</u>	<u>40,000 (3)</u>
 Total	 <u>\$ 1,960,477</u>	 <u>\$ 40,000</u>	 <u>\$ 2,000,477</u>

- (1) Represents budgeted transfer to supplement the operating budget.
- (2) Represents budgeted transfers from the various enterprise funds to the general fund.
- (3) Represents budgeted transfer from the General Fund.
- (4) Represents other transfers.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 – SHORT-TERM FINANCING

Under state law, and with the appropriate authorization, the Town is authorized to borrow funds on a temporary basis as follows:

- To fund current operations prior to the collection of revenues by issuing revenue anticipation notes (RANS).
- To fund grants prior to reimbursement by issuing grant anticipation notes (GANS).
- To fund Capital project costs incurred prior to selling permanent debt by issuing bond anticipation notes (BANS).
- To fund current project costs and other approved expenditures incurred, that are anticipated to be reimbursed by the Commonwealth, through the issuance of State Aid anticipation notes (SAANS).

Short-term loans are general obligations of the Town and maturity dates are governed by statute. Interest expenditures for short-term borrowings are accounted for in the general fund.

The following is a summary of changes in short-term debt for the year ended June 30, 2010:

Purpose	Rate (%)	Due Date	Balance at June 30, 2009	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2010
<u>Governmental Funds</u>						
Septic Loan Program	0.00%	advance	\$ -	\$ 252,900	\$ -	\$ 252,900

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 8 – LONG-TERM DEBT

The Town is subject to a dual-level, general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however require the approval of the Commonwealth's Emergency Finance Board. Additionally, there are many categories of general long-term debt which are exempt from the debt limit but are subject to other limitations.

The following is a summary of the changes in long-term debt for the year ended June 30, 2010:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
High School renovation	3.35	\$ -	\$ 10,400,000	\$ -	\$ 10,400,000
School - Igo Elementary	5.10	490,000	-	245,000	245,000
Title V	0.00	88,803	-	11,100	77,703
Landfill Closure	5.49	1,215,000	-	115,000	1,100,000
Senoir Center	5.38	270,000	-	35,000	235,000
Land Acquisition	5.13	20,000	-	10,000	10,000
School - Ahern Middle	3.55	950,000	-	75,000	875,000
Land Acquisition - Mill St.	4.75	1,125,000	-	75,000	1,050,000
School & Vehicles	3.84	3,640,000	-	262,000	3,378,000
Public Safety/Fire engines	3.84	6,975,000	-	488,000	6,487,000
Public Safety Building	4.02	4,055,000	-	230,000	3,825,000
Public Works	3.84	115,000	-	20,000	95,000
Total		<u>\$ 18,943,803</u>	<u>\$ 10,400,000</u>	<u>\$ 1,566,100</u>	<u>\$ 27,777,703</u>

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2010 are as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 2,041,100	\$ 1,026,067	\$ 3,067,167
2012	1,786,101	957,161	2,743,262
2013	1,781,100	897,497	2,678,597
2014	1,776,101	833,598	2,609,699
2015	1,771,100	767,714	2,538,814
2016-2020	8,267,201	2,880,933	11,148,134
2021-2025	7,305,000	1,372,331	8,677,331
2026-2030	3,050,000	278,337	3,328,337
Total	<u>\$ 27,777,703</u>	<u>\$ 9,013,638</u>	<u>\$ 36,791,341</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Bonds and Notes Payable Schedule -Water and Sewer Enterprise Funds

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
Sewer	Var.	\$ 236,433	\$ -	\$ 26,657	\$ 209,776
Sewer	Var.	55,516	-	5,516	50,000
Sewer	Var.	749,766	-	58,177	691,589
Sewer	5.10	20,000	-	20,000	-
Sewer	3.86	160,000	-	10,000	150,000
Water	2.00	4,300,000	-	190,907	4,109,093
Land Acquisition - Water	2.77	40,000	-	10,000	30,000
Water Reuse	3.63	1,605,000	-	115,000	1,490,000
Water	3.64	2,520,000	-	180,000	2,340,000
Water	Var.	442,308	-	25,627	416,681
Water	Var.	30,725	-	1,449	29,276
Total		\$ 10,159,748	\$ -	\$ 643,333	\$ 9,516,415

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2010 are as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 613,552	\$ 295,890	\$ 909,442
2012	623,001	278,035	901,036
2013	628,432	258,920	887,352
2014	629,268	235,062	864,330
2015	634,676	210,458	845,134
2016-2020	3,197,152	716,620	3,913,772
2021-2025	2,191,014	228,716	2,419,730
2026-2029	999,320	40,472	1,039,792
Total	\$ 9,516,415	\$ 2,264,173	\$ 11,780,588

**TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

Loans Authorized and Unissued

As of June 30, 2010, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Conservation - Land Acquisition	5/13/1986	\$ 130,000
Water - Land Acquisition	5/14/1990	70,000
School Renovation	5/4/2009	8,512,828
Community Septic Program	12/14/2009	600,000
Renovation and Expansion of Boyden Library	5/10/2010	7,500,000
Design, Construct, & Equip Water Treatment Facility	5/10/2010	<u>7,000,000</u>
Total		<u>\$23,812,828</u>

Massachusetts School Building Authority Reimbursements

Chapter 645 of the Act of 1948 as amended (“Chapter 645”) created a statewide school building assistance program. Pursuant to this program, cities and towns issued bonds for eligible school building projects and were reimbursed over a period of years by the Commonwealth according to a statutory percentage for such city or town.

Legislation enacted as part of the Commonwealth’s Fiscal 2001 budget repealed 645 and created a new school building assistance program codified as Chapter 70B of the Massachusetts General Laws. Among other changes, the new program includes grants for alternatives to construction and calculates grants for each project based on a number of factors. The new legislation does not affect the reimbursement percentages for bonds previously issued under Chapter 645, and the grants for certain “grandfathered” projects will be based on the statutory percentages provided for in Chapter 645.

The Town has been approved for a 68% percent state school construction grant through the Massachusetts School Building Authority (MSBA) to cover eligible project costs, including debt service associated with the financing of these projects, subject to annual appropriation by the state legislature. The Town received \$665,555 from scheduled annual payments in FY 2010 from the MSBA for completed school construction projects.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010:

<u>Governmental Activities:</u>	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 18,943,803	\$ 10,400,000	\$ (1,566,100)	\$ 27,777,703	\$ 2,041,100
Compensated absences	1,086,409	24,064	-	1,110,473	456,583
Postemployment Benefits	3,916,566	4,141,511	(1,354,474)	6,703,603	1,224,759
Landfill postclosure care costs	740,000	-	(37,000)	703,000	37,000
 Total governmental activities long-term liabilities	 <u>\$ 24,686,778</u>	 <u>\$ 14,565,575</u>	 <u>\$ (2,957,574)</u>	 <u>\$ 36,294,779</u>	 <u>\$ 3,759,442</u>
 <u>Business-Type Activities:</u>	 Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 10,159,748	\$ -	\$ (643,333)	\$ 9,516,415	\$ 613,552
Compensated absences	83,458	7,126	-	90,584	22,429
Postemployment Benefits	93,235	98,699	(32,244)	159,690	32,176
 Total business-type activities long-term liabilities	 <u>\$ 10,336,441</u>	 <u>\$ 105,825</u>	 <u>\$ (675,577)</u>	 <u>\$ 9,766,689</u>	 <u>\$ 668,157</u>

The governmental activities long-term liabilities are generally liquidated by the general fund.

Overlapping Debt

The Town pays assessments under formulas which include debt service payments to other governmental agencies providing services to the Town, (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of such governmental agencies and the estimated share being financed by the Town as of June 30, 2010:

<u>Agency</u>	Total Long- Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
Norfolk County	<u>\$ 900,000</u>	2.272%	<u>\$ 20,448</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Conduit Debt

On June 30, 2000, the Town issued \$69,810,000 in Foxborough Stadium Infrastructure Improvement Bonds. The Bonds are issued pursuant to Chapter 16 of the Acts of 1999 of the Commonwealth of Massachusetts and the Trust Indenture dated as of June 1, 2000. The bonds are payable solely from the trust assets, consisting of assigned rights to receive contract assistance payments from the Commonwealth of Massachusetts under the contract in an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds, and other funds specifically pledged for the payment of the Bonds under the Trust Indenture. The Bonds are not a general obligation of the Town or the Commonwealth of Massachusetts. The contract assistance agreement is a general obligation of the Commonwealth of Massachusetts for which the full faith and credit of the Commonwealth of Massachusetts is pledged for the benefit of the Town. As of June 30, 2010, the total amount of conduit debt outstanding was \$52,375,000.

NOTE 9 – STABILIZATION FUND

At June 30, 2010, \$2,591,157 has been set aside in the stabilization fund, which is classified as a major fund in the governmental funds financial statements. The stabilization fund balance can be used for general and/or capital purposes as approved by Town Meeting vote.

NOTE 10 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters.

Buildings are insured against fire, theft, and natural disaster (except for losses due to flood or earthquake) to the extent that losses exceed \$1,000 per incident. Buildings are insured against flood and earthquake damage, to the extent that losses exceed \$50,000 per incident.

The Town's workers compensation program is premium-based. The policy is limited to Massachusetts Statutory Benefits.

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2010.

The Town has a variety of self-insured contributory health care options. There are 665 employees and retirees who participate in the Town's health care programs. Stop loss insurance is carried on all self-insured health care claims in excess of \$75,000 individually. The Town contributes 50% of the costs for the full indemnity plan and supplementary Medicare insurance. The Town contributes 70% of the costs for managed care costs. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

The Town's health insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. Liabilities for self-insured claims are reported when it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not recorded. As of June 30, 2010 and June 30, 2009, the only such liabilities are those related to the Town's self-insured health care program. The Town established a liability based on historical trends for the previous fiscal years. Changes in the self-insured liability account in fiscal year 2010 and 2009 were as follows:

	Healthcare	
	2010	2009
Liability at beginning of fiscal year	\$ 1,219,426	\$ 1,228,061
Claims incurred for current fiscal year and		
Changes in provisions for prior year	8,066,631	6,946,405
Claims payments for current fiscal year	(8,041,514)	(6,955,040)
Liability at end of fiscal year	\$ 1,244,543	\$ 1,219,426

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires the following disclosures with regard to the retiree medical, dental, and life insurance benefits:

Plan Description. The Post Retirement Benefits Plan of the Town of Foxborough (The Plan) is a single-employer defined benefit healthcare plan administered by the Town of Foxborough. The Plan provides medical, dental and life insurance benefits to eligible retirees and their spouses. Town meeting vote is the authority to establish and amend benefit provisions to the Town. The Town has accepted various sections of Massachusetts General laws Chapter 32B to provide ½ of the premium cost of retirees' health and life insurance costs.

Funding Policy. The contribution requirements of plan members and the Town are established and may be amended by local by-law. The required contribution is based on projected pay-as-you-go financing requirements. For Fiscal Year 2010, the estimated total Town premiums plus implicit costs for the retiree medical program are \$2,539,819.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Annual OPEB Cost and Net OPEB Obligation. The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASBS No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation to the plan:

Annual OPEB cost (expense)	\$	5,393,311
Contributions made		<u>(2,539,819)</u>
Increase in net OPEB obligation		2,853,492
Net OPEB obligation - beginning of year		<u>4,009,801</u>
Net OPEB obligation - end of year	\$	<u><u>6,863,293</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2008	N/A	N/A	N/A
6/30/2009	\$ 5,095,788	21.31%	\$ 4,009,801
6/30/2010	\$ 5,393,311	47.09%	\$ 6,863,293

Funded Status and Funding Progress. As of June 30, 2009, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$62.192 million, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$62.192 million. The covered payroll (annual payroll of active employees covered by the plan) was \$29.237 million, and the ratio of the UAAL to the covered payroll was 212.7%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include 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 about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of 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, 2009, actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, the normal cost and actuarial liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ration of past service to total service. The actuarial assumptions included a 3.50% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.50% percent graded down to 5.00% over seven years. The actuarial value of assets was determined using market value. The UAAL is being amortized as a level dollar amount over 30 years at transition. The remaining amortization period at July 1, 2010, was 28 years.

NOTE 12 – PENSION PLAN

A. Plan Descriptions

The Town contributes to the Norfolk County Contributory Retirement System (the "System"), a cost sharing, multiple-employer, defined benefit pension plan administered by the Norfolk County Retirement Board. Substantially all employees are members of the "System" except for public school teachers and certain school administrators who are members of the Massachusetts Teachers' Retirement System (MTRS) to which the Town does not contribute.

The "System" and the MTRS are contributory defined benefit plans and membership in both the "System" and the MTRS is mandatory upon commencement of employment for all permanent, full-time employees. The "System" and the MTRS provide retirement, disability and death benefits to plan members and beneficiaries.

Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases, to the State legislature. The "System" issues a publicly available financial report, which can be obtained through the Commonwealth of Massachusetts, Public Employee Retirement Administration Commission ("PERAC"), One Ashburton Place, Boston, Massachusetts 02108.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

B. Funding Policies

Norfolk County Contributory Retirement System

Plan members are required to contribute to the “System” at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the “System”, its share of the remaining system-wide, actuarially determined, contribution plus administration costs, which are apportioned among the employers, based on active covered payroll. The Commonwealth of Massachusetts reimburses the “system” for a portion of the benefit payments for the cost of living increases. The contributions to the “System” for years ended June 30, 2010, 2009, and 2008 were \$2,121,371, \$1,895,766, and \$1,630,866, respectively, which were equal to its required contributions for each of these years.

Massachusetts Teachers’ Retirement System

Plan members (at varying rates of annual covered compensation) and the Commonwealth of Massachusetts fund contributions to the MTRS. The Commonwealth of Massachusetts contributed “on-behalf” payments to the MTRS totaling \$4,743,114 for fiscal year 2010. In accordance with GASB Statement No. 24, these on-behalf” payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2010, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is believed the amount, if any, would not be material.

The Town’s landfill was closed in 1997 by order of the Department of Environmental Protection (DEP). The DEP approved the capping construction of the landfill site in 1998. The Town is responsible for post-closure monitoring of the site for thirty years (20 years remaining), and the estimated liability has been recorded in the Statement of Net Assets, Governmental Activities. The \$703,000 reported as landfill post-closure liability at June 30, 2010 is based on what it would cost to perform all post-closure care costs at June 30, 2010. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2010.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 14 – PRIOR PERIOD ADJUSTMENT – UNBILLED REVENUE

The following Net Assets have been restated to reflect the recording of unbilled revenue in the Water and Sewer enterprise funds at June 30, 2009.

Description	Primary Government Business- Type Activities	Major Fund Water Enterprise	Major Fund Sewer Enterprise
Total Net Assets at June 30, 2009, as previously reported	\$ 8,685,674	\$ 6,637,602	\$ 1,520,752
To record unbilled revenue	<u>752,716</u>	<u>548,442</u>	<u>204,274</u>
Total Net Assets at June 30, 2009, as restated	<u>\$ 9,438,390</u>	<u>\$ 7,186,044</u>	<u>\$ 1,725,026</u>

NOTE 15 – PRIOR PERIOD RECLASSIFICATION

The Non Major Governmental Funds have been restated to reflect the reclassification of the Major High School Renovation Fund as of June 30, 2009.

Description	Major High School Renovation Fund	Nonmajor Governmental Funds
Balances at June 30, 2009, as previously reported	\$ -	\$ 4,162,303
To Reclassify Funds from the Nonmajor Governmental Funds to the Major High School Renovation Fund	<u>(583,127)</u>	<u>583,127</u>
Balances at June 30, 2009 as restated	<u>\$ (583,127)</u>	<u>\$ 4,745,430</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2010, the following GASB pronouncements were implemented:

The GASB issued **Statement #51** *Accounting and Financial Reporting for Intangible Assets* was implemented in FY2010. This pronouncement did not require additional disclosure or impact the basic financial statements.

The GASB issued **Statement #53** *Accounting and Financial Reporting for Derivative Instruments* was implemented in FY2010. The Town does not invest in derivative instruments. Therefore, this pronouncement did not require additional disclosure or impact the basic financial statements.

The GASB issued **Statement #58** *Accounting and Financial Reporting for Chapter 9 Bankruptcies* was implemented in FY2010. This pronouncement did not require additional disclosure or impact the basic financial statements.

Future GASB Pronouncements:

The GASB issued **Statement #54** *Fund Balance Reporting and Governmental Fund Type Definitions* which is required to be implemented in FY2011. Management believes this pronouncement will require additional disclosure and reclassify/redefine some fund balances in the basic financial statements.

The GASB issued **Statement #57** *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans* which is required to be implemented in FY2012. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.

The GASB issued **Statement #59** *Financial Instruments Omnibus* which is required to be implemented in FY2012. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.

**TOWN OF FOXBOROUGH, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS**

Schedules of Funding Progress and Employer Contributions

The following schedules are presented in accordance with GASB Statement No. 45:

Projected Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
7/1/2008	\$ -	\$ 62,192,355	\$ 62,192,355	0.0%	\$ 29,236,861	212.7%

Schedule of Employer Contributions (1):

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed *	Net OPEB Obligation
2009	\$ 5,095,788	21.31%	\$ 4,009,801
2010	\$ 5,393,311	47.09%	\$ 6,863,293

(1) A three-year display will be shown on a go forward basis.

* Based on expected premium payments.

The required information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2009
Discount Rate	3.50%
Medical Trend	8.5% grading down to 5% in Year 2016 and thereafter
Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level dollar amount over 30 years at transition
Remaining Amortization Period	28
Mortality	RP-2000 Table for males RP-2000 Table for females

**TOWN OF FOXBOROUGH, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS**

Participation: 90% of future retirees are assumed to participate in the retiree medical plan.
 100% of future retirees are expected to elect life insurance.

Plan Participants:

Current retirees, beneficiaries, and dependants	178
Current active members/participants	<u>586</u>
Total	<u><u>764</u></u>