

**TOWN OF FOXBOROUGH, MASSACHUSETTS**

**REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen  
Town of Foxborough,, Massachusetts

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Foxborough, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Foxborough, Massachusetts, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Norfolk County Contributory Retirement System schedules of funding progress, employer contributions, Town's proportionate share of the net pension liability, Town's contribution, and Massachusetts Teachers Retirement System's proportionate share of the net pension liability, and other post-employment benefits – schedules of funding progress and employer contributions and notes to the retirement system on pages 3 – 14, 69 - 72, 73, 74 – 75 and 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2017, on our consideration of the Town of Foxborough, Massachusetts June 30, 2016 internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Foxborough, Massachusetts June 30, 2016 internal control over financial reporting and compliance.



March 30, 2017

## 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, 2016. 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 \$58.47 million (net position), including a charge to the FY 2016 balance sheet of \$34.76 million associated with its pension liability. The Town has complied with GASB 68, by recording the full net pension liability starting with the FY 2015 balance sheet. The FY 2015 net pension liability charge was \$33.27 million.
- The unrestricted negative net position increased by \$4.73 million, from -\$24.36 million to -\$29.09 million. Excluding the change in net pension liability charge, \$1.49 million, and the change in deferred inflows of resources, \$3.59 million, unrestricted net position decreased by \$350 thousand.
- The unrestricted net position of the Town's governmental activities is -\$36.83 million, primarily as a result of the 100% inclusion of the net pension liability of \$34.05 million and the deferred inflow of resources of \$3.5 million. The unrestricted net position of the Town's business-type activities is \$7.7 million and may be used to meet the ongoing obligations of the Town's water and sewer business-type activities. Included in the business-type activities is a charge of \$709 thousand related to the net pension liability.
- Governmental activities total net position increased \$2.89 million, or 7.8%, in fiscal 2016. Business type activities total net position increased \$1.4 million, or 8.4% in fiscal 2016.
- At June 30, 2016, the Town's governmental funds had a combined ending fund balance of \$29.8 million. Combined governmental funds balance increased by \$8.85 million, or 42.3%, from the prior year. A total of \$10.46 million, or 35.1%, of the \$29.8 million fund balance is considered unassigned at June 30, 2016. This represents a \$1.6 million, or 18.1%, increase over FY '15.
- The Town's general fund reported a fund balance of \$17.35 million at the end of fiscal 2016. The unassigned fund balance for the general fund was \$10.67 million, or 16.48%, of total FY '16 general fund budgetary expenditures. This represents a \$3.28 million increase in total general fund balance. A total of \$3.79 million of the unassigned fund balance is designated for funding the fiscal 2017 budget.
- The total cost of all Town services on a full accrual basis for fiscal 2016 was \$81.69 million, \$76.69 million of which was for governmental services, and \$5.0 million of which was for business-type activities, for an overall 8.5% increase compared to fiscal 2015. \$3.77 million, or 58.9%, of this change is attributable to increases in employee benefits expenses and related accrued liabilities
- The Town's total bonded debt increased by a net of \$19.89 million or 54.8% during the year. The change was comprised of \$23.36 million in planned debt additions for the Town Hall building replacement (\$6.86 million), a third water treatment facility (\$16.5 million), and \$3.47 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 position* presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future 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 and sewer 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 two enterprise funds:

- *Water Enterprise Fund* accounts for the water activity of the Town.
- *Sewer Enterprise Fund* accounts for the sewer activity of the Town.

The Town previously had a *Sanitation Enterprise Fund* for the Town’s trash collection and disposal activities. However the Town privatized all aspects of this service in fiscal 2013, including the billing and revenue collection. As a result there is currently no need for this enterprise fund. Accordingly, all residual activity has been reclassified to a non-major governmental fund.

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, postemployment benefits trust, 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”, “Postemployment Benefits Trust”, and “Agency Funds”, respectively.

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to address consistency issues related to how fund balance was being reported. Accordingly, beginning with the Town’s FY 2011 financial statements, fund balance in the Governmental Funds statements have been displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- *Restricted fund balance*—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed fund balance*—amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- *Assigned fund balance*—amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts are reported only in the general fund. In Other Governmental Funds if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, due to the timing of reimbursements to the Town, it may be necessary to report a negative unassigned fund balance.

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 above, assets exceed liabilities by \$58.47 million at the close of fiscal year 2016, net of the \$34.76 million charge for the pension liability. The Town is able to report positive balances in net position for both the government as a whole, and for each of its governmental and business-type activities in total.

A key component of the Town's net position is its *unrestricted net position* totaling -\$29.1 million, which decreased by \$350 thousand excluding the \$1.49 million change in net pension liability and the net change in deferred inflows of resources, \$3.59 million. It is important to note that the full funding target date for the Town's pension liability, as managed by the Norfolk County Retirement System (NCRS), is 2031. Despite the State of Massachusetts allowing the full funding target dates to be increased from the initial 2028 target date to 2040, after the market crash of 2008, NCRS has only made the modest actuarial change to 2031, with no intention of moving from that date.

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 \$73.96 million, or 126%, of net position. 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 position of Governmental activities increased by \$2.89 million, a 7.8% increase from fiscal 2015. Net position of business-type activities increased by \$1.43 million or 8.35%, from 2015. Total Town net position increased by \$4.32 million, or 8.0%.

The \$2.89 million increase in Governmental activities net position is attributable to general operating revenue of \$54.46 million, program revenues of \$24.47 million, net operating transfers in of \$628 thousand, less total expenses of \$76.67 million. Total revenues increased by \$6.68 million, or 9.25%, while total expenses increased \$5.9 million, or 8.34%.

Net position of business-type activities increased by \$1.43 million as a result of the following: operating revenue exceeded expenses and depreciation by \$2.32 million; \$65.0 thousand was received via intergovernmental grants; \$16 thousand was earned in interest; interest expense was \$337.9 thousand; and the net of transfers out for costs incurred in the general fund were \$627.7 thousand.

There was an increase of \$1.66 million, or 11.0%, in net position reported in connection with the water business-type activities. There was a decrease of \$225 thousand, or 11.0%, in net position in connection with the sewer business-type activities.

An additional portion of the Governmental activities total net position totaling \$13.6 million, or 34.11%, represents resources that are subject to external restrictions on how they may be used. Of this amount \$6.0 million is bond proceeds for the New Town Hall building construction and \$2.24 million is Ambulance Receipts that can be used for Fire department operating and capital budgets.

**TOWN OF FOXBOROUGH - FINANCIAL HIGHLIGHTS**

	Governmental Activities			Business-type Activities			Total Primary Government		
	FY 2016	FY 2015	Increase (Decrease)	FY 2016	FY 2015	Increase (Decrease)	FY 2016	FY 2015	Increase (Decrease)
<b>Assets:</b>									
Current assets	\$ 36,936,796	\$ 26,437,440	\$ 10,499,356	\$ 26,589,238	\$ 9,397,128	\$ 17,192,110	\$ 63,526,034	\$ 35,834,568	\$ 27,691,466
Capital assets	86,961,664	86,518,203	443,461	20,878,249	20,423,396	454,853	107,839,913	106,941,599	898,314
<b>Total assets</b>	<b>123,898,460</b>	<b>112,955,643</b>	<b>10,942,817</b>	<b>47,467,487</b>	<b>29,820,524</b>	<b>17,646,963</b>	<b>171,365,947</b>	<b>142,776,167</b>	<b>28,589,780</b>
<b>Deferred Outflows of Resources:</b>	<b>4,191,650</b>	<b>1,345,797</b>	<b>2,845,853</b>	<b>87,290</b>	<b>28,026</b>	<b>59,264</b>	<b>4,278,940</b>	<b>1,373,823</b>	<b>2,905,117</b>
<b>Liabilities:</b>									
Current liabilities (excluding debt)	5,464,258	3,988,525	1,475,733	203,840	385,904	(182,064)	5,668,098	4,374,429	1,293,669
Noncurrent liabilities (excluding debt)	49,442,488	48,222,376	1,220,112	1,044,451	1,033,125	11,326	50,486,939	49,255,501	1,231,438
Current debt	2,405,762	2,061,101	344,661	1,520,852	923,127	597,725	3,926,614	2,984,228	942,386
Noncurrent debt	27,354,278	23,036,100	4,318,178	26,052,334	10,254,469	15,797,865	53,406,612	33,290,569	20,116,043
<b>Total liabilities</b>	<b>84,666,786</b>	<b>77,308,102</b>	<b>7,358,684</b>	<b>28,821,477</b>	<b>12,596,625</b>	<b>16,224,852</b>	<b>113,488,263</b>	<b>89,904,727</b>	<b>23,583,536</b>
<b>Deferred Inflows of Resources:</b>	<b>3,538,747</b>	<b>-</b>	<b>3,538,747</b>	<b>147,325</b>	<b>99,050</b>	<b>48,275</b>	<b>3,686,072</b>	<b>99,050</b>	<b>3,587,022</b>
<b>Net Position:</b>									
Net investment in capital assets	63,106,967	62,007,981	1,098,986	10,853,616	9,651,321	1,202,295	73,960,583	71,659,302	2,301,281
Restricted	13,604,384	6,847,551	6,756,833	-	-	-	13,604,384	6,847,551	6,756,833
Unrestricted	(36,826,774)	(31,862,194)	(4,964,580)	7,732,359	7,501,554	230,805	(29,094,415)	(24,360,640)	(4,733,775)
<b>Total net position</b>	<b>\$ 39,884,577</b>	<b>\$ 36,993,338</b>	<b>\$ 2,891,239</b>	<b>\$ 18,585,975</b>	<b>\$ 17,152,875</b>	<b>\$ 1,433,100</b>	<b>\$ 58,470,552</b>	<b>\$ 54,146,213</b>	<b>\$ 4,324,339</b>
<b>Revenues</b>									
<i>Program Revenues:</i>									
Charges for services	\$ 6,151,597	\$ 5,406,869	\$ 744,728	\$ 6,711,072	\$ 6,917,887	\$ (206,815)	\$ 12,862,669	\$ 12,324,756	\$ 537,913
Operating grants and contributions	17,449,911	14,986,992	2,462,919	307,313	262,421	44,892	17,757,224	15,249,413	2,507,811
Capital grants and contributions	868,960	1,220,958	(351,998)	64,974	68,452	(3,478)	933,934	1,289,410	(355,476)
<i>General Revenues:</i>									
Real Estate and personal property taxes	42,720,940	40,908,909	1,812,031	-	-	-	42,720,940	40,908,909	1,812,031
Tax Liens	329,828	311,022	18,806	-	-	-	329,828	311,022	18,806
Motor vehicle and other excise taxes	2,862,495	2,703,801	158,694	-	-	-	2,862,495	2,703,801	158,694
Payments in lieu of taxes	3,993,821	2,772,044	1,221,777	-	-	-	3,993,821	2,772,044	1,221,777
Hotel/Motel Tax	2,367,405	2,157,279	210,126	-	-	-	2,367,405	2,157,279	210,126
Penalties and Interest on Taxes	179,036	165,452	13,584	-	-	-	179,036	165,452	13,584
Nonrestricted grants and contributions	1,629,567	1,500,229	129,338	-	-	-	1,629,567	1,500,229	129,338
Unrestricted investment income	96,288	76,371	19,917	-	-	-	96,288	76,371	19,917
Other revenues	279,591	34,713	244,878	-	-	-	279,591	34,713	244,878
<b>Total Revenues</b>	<b>78,929,439</b>	<b>72,244,639</b>	<b>6,684,800</b>	<b>7,083,359</b>	<b>7,248,760</b>	<b>(165,401)</b>	<b>86,012,798</b>	<b>79,493,399</b>	<b>6,519,399</b>
<b>Expenses:</b>									
General Government	3,088,267	2,249,181	839,086	-	-	-	3,088,267	2,249,181	839,086
Public Safety	9,003,904	8,668,233	335,671	-	-	-	9,003,904	8,668,233	335,671
Education	39,225,295	37,968,259	1,257,036	-	-	-	39,225,295	37,968,259	1,257,036
Public Works	2,828,936	3,226,384	(397,448)	-	-	-	2,828,936	3,226,384	(397,448)
Human Services	982,981	916,978	66,003	-	-	-	982,981	916,978	66,003
Culture and Recreation	1,863,345	1,862,439	906	-	-	-	1,863,345	1,862,439	906
Employee Benefits	18,324,510	14,552,368	3,772,142	-	-	-	18,324,510	14,552,368	3,772,142
State and County Assessments	389,029	353,936	35,093	-	-	-	389,029	353,936	35,093
Interest	959,680	962,298	(2,618)	-	-	-	959,680	962,298	(2,618)
Water	-	-	-	3,830,026	3,400,177	429,849	3,830,026	3,400,177	429,849
Sewer	-	-	-	1,192,486	1,129,092	63,394	1,192,486	1,129,092	63,394
<b>Total Expenses</b>	<b>76,665,947</b>	<b>70,760,076</b>	<b>5,905,871</b>	<b>5,022,512</b>	<b>4,529,269</b>	<b>493,243</b>	<b>81,688,459</b>	<b>75,289,345</b>	<b>6,399,114</b>
<b>Transfers</b>	<b>627,747</b>	<b>589,944</b>	<b>37,803</b>	<b>(627,747)</b>	<b>(589,944)</b>	<b>(37,803)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>2,891,239</b>	<b>2,074,507</b>	<b>816,732</b>	<b>1,433,100</b>	<b>2,129,547</b>	<b>(696,447)</b>	<b>4,324,339</b>	<b>4,204,054</b>	<b>120,285</b>
<b>Net Assets - beginning</b>	<b>36,993,338</b>	<b>34,918,831</b>	<b>2,074,507</b>	<b>17,152,875</b>	<b>15,023,328</b>	<b>2,129,547</b>	<b>54,146,213</b>	<b>49,942,159</b>	<b>4,204,054</b>
<b>Net Assets - ending</b>	<b>\$ 39,884,577</b>	<b>\$ 36,993,338</b>	<b>\$ 2,891,239</b>	<b>\$ 18,585,975</b>	<b>\$ 17,152,875</b>	<b>\$ 1,433,100</b>	<b>\$ 58,470,552</b>	<b>\$ 54,146,213</b>	<b>\$ 4,324,339</b>

### ***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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year 2016, governmental funds reported combined ending fund balances of \$29.8 million, an \$8.85 million increase from the prior year's ending fund balance. The net change reflects a \$3.28 million Governmental fund balance increase due to general fund expenditures being \$3.86 million less than combined general fund revenues and operating transfers in and out, less a net of \$578 thousand in payments to the refunded bond escrow agent related to a refunding. \$5.56 million remained in the New Town Hall Fund. The EMS, or Ambulance Receipts, fund balance increased \$133 thousand due to revenues exceeding committed transfers out. Finally, there was a net \$121 thousand reduction across several non-major governmental fund accounts above amounts received or transferred in and out.

The General fund is the primary operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10.67 million, while total fund balance stood at \$17.35 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund budgetary expenditures. Unassigned fund balance represents 16.48% of total general fund budgetary expenditures, while total fund balance represents 26.8% of that same amount.

General fund budgetary revenues increased by 7.74% or \$4.75 million in FY 2016, due to broad based growth in all major revenue categories: property taxes associated with new property tax growth and allowable annual increases as per proposition 2 ½ (*\$1.75 million*); payments in lieu of taxes (primarily Gillette Stadium lease payments) were up \$1.22 million achieving yet another record year; departmental receipts increased \$1.18 million; and state aid payments increased \$455 thousand.

Conversely, general fund budgetary expenditures, including operating and capital spending, increased by 3.0% or \$1.9 million driven primarily by increases in education (*\$1.5 million*), employee benefits driven equally by pension and health insurance costs (*\$1.03 million*), general government (*\$686 thousand*), and public safety (*\$252 thousand*). There were also significant year-over-year decreases in public works expenditures (*-\$523 thousand*) and debt service (*-\$1.1 million*). The balance of expenditure changes was a net \$21 thousand in increases across all other departments. After accounting for other financing sources and uses, the budgetary fund balance of the general fund was increased by \$3.1 million to \$12.99 million. This result continues to be according to management's conservative planning and budgeting and the prudent use of unassigned fund balance to maintain both the Town's services and financial position.

The New Town Hall Fund balance ended FY '16 at \$6.0 million. The FY '16 activity reflects the start of this new building project and the bond proceeds used to fund it.

The Stabilization funds, which are now included within the General Fund as per GASB 54, has accumulated balances of \$3.63 million, which represents 5.61% of FY 2016 general fund budgetary expenditures. \$3.08 million of these funds is considered "Unassigned" and \$552 thousand is considered "Assigned". However, all of these funds can be used for general or capital purposes upon Town Meeting approval.

The Emergency Medical Services fund balance increased by \$133 thousand to \$2.24 million. All other Non-Major Governmental Fund balances decreased in total by \$121 thousand to \$4.17 million as a result of \$5.89 million received in revenues less \$6.06 million in expenditures and a net of \$55 thousands in transfers in.

## General Fund Budget Highlights

Actual FY 2016 general fund revenues exceeded budgeted revenues by \$4.73 million, primarily driven by conservatively estimated local receipts and strong property tax collection performance, with state aid relatively flat with a \$78 thousand positive variance to budget. General fund expenses were \$432 thousand less than budget in total due to management's continued focus on cost containment and focused budget management. This result includes a legal snow & ice removal deficit of \$148 thousand. Despite the extra winter expense, management's continued, well practiced, and disciplined approach to spending sustains and improves the Town's service levels in an improving economic environment. Net operating transfers in/out were more than planned by \$390 thousand, at \$1.74 million. The net result was a significant, \$3.1 million, increase to FY 2016 budgetary fund balance, ending at \$12.99 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 in addition to a five year capital plan.

The Town's ownership of, or investment in, capital assets for governmental and business type activities, as summarized below, as of June 30, 2016, amounts to \$107.84 million, net of accumulated depreciation. The value in capital assets includes land, buildings, capital improvements, machinery, equipment, software, vehicles, water, sewer, and roadway infrastructure and construction in progress.

The governmental activities capital assets were increased by \$4.63 million and reduced by a net of \$4.19 million in depreciation during fiscal 2016, for a net \$443 thousand increase. The increases were primarily due to: \$1.69 million of roadway, parking lot and sidewalk infrastructure projects; \$1.3 million related to the new Town Hall building construction project; \$726 thousand in various public safety, highway and school department vehicles net of retirements; \$356 thousand in computer, network, projection, copying, imaging equipment; \$163 thousand for athletic facility improvements; and a net of \$397 thousand in assorted departmental equipment and assets.

Business-type activities capital assets were increased by \$1.32 million in investments and reduced by \$868 thousand in depreciation for a net increase of \$455 thousand. The asset increases were primarily due to \$264 thousand for water enterprise infrastructure; \$443 thousand related to rehabilitation of the Hill street one million gallon water tank. The balance of the asset additions, \$616 thousand, were associated with water meters, vehicles, and the completion of the new DPW administrative headquarters.

In summary, total increases net of depreciation to Town Wide capital assets are \$898 thousand.

### Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities			Total Primary Government		
	FY 2016	FY 2015	Increase (Decrease)	FY 2016	FY 2015	Increase (Decrease)	FY 2016	FY 2015	Increase (Decrease)
Land	\$ 6,537,225	\$ 6,537,225	\$ -	\$ 692,282	\$ 692,282	\$ -	\$ 7,229,507	\$ 7,229,507	\$ -
Buildings	56,922,880	58,815,379	(1,892,499)	-	-	-	56,922,880	58,815,379	(1,892,499)
Capital Improvements (other than buildings)	595,613	173,741	421,872	-	-	-	595,613	173,741	421,872
Machinery and Equipment	1,818,264	1,850,863	(32,599)	1,741,810	1,522,262	219,548	3,560,074	3,373,125	186,949
Software	124,726	120,995	3,731	-	-	-	124,726	120,995	3,731
Vehicles	3,701,718	3,698,562	3,156	291,465	190,001	101,464	3,993,183	3,888,563	104,620
Infrastructure	15,887,340	14,898,707	988,633	18,152,692	17,424,802	727,890	34,040,032	32,323,509	1,716,523
Construction in Progress	1,373,898	422,731	951,167	-	594,049	(594,049)	1,373,898	1,016,780	357,118
<b>Total Capital Assets</b>	<b>\$ 86,961,664</b>	<b>\$ 86,518,203</b>	<b>\$ 443,461</b>	<b>\$ 20,878,249</b>	<b>\$ 20,423,396</b>	<b>\$ 454,853</b>	<b>\$ 107,839,913</b>	<b>\$ 106,941,599</b>	<b>\$ 898,314</b>

**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, 2016, totaled \$56.17 million. 72.6%, or \$21.36 million, of the \$29.42 million in governmental activity debt is excluded from the limits of proposition 2 ½. Business-type activities have debt of \$26.75 million that is fully supported by their respective utility rates. Total debt consists of the following:

### Outstanding Debt at Year End

<b>Governmental Activities</b>	<b>Outstanding June 30, 2016</b>	<b>Outstanding June 30, 2015</b>	<b>Increase (Decrease)</b>
Town Hall	\$ 6,860,000	\$ -	\$ 6,860,000
School - High School	7,280,000	7,800,000	(520,000)
School - Ahern Middle	395,000	465,000	(70,000)
School - Ahern Middle	1,828,000	2,180,000	(352,000)
School Remodeling	53,000	63,000	(10,000)
Public Safety Building	5,795,000	6,772,000	(977,000)
Library Renovation	5,675,000	6,030,000	(355,000)
Senior Center	30,000	60,000	(30,000)
Land Acquisition - Mill St.	595,000	675,000	(80,000)
Landfill Closure	385,000	490,000	(105,000)
Title V	11,100	22,201	(11,101)
Title V	510,000	540,000	(30,000)
<b>Total Governmental Activities</b>	<b>\$ 29,417,100</b>	<b>\$ 25,097,201</b>	<b>\$ 4,319,899</b>
<b>Business-type Activities</b>	<b>Outstanding June 30, 2016</b>	<b>Outstanding June 30, 2015</b>	<b>Increase (Decrease)</b>
Sewer	\$ 32,716	\$ 64,457	\$ (31,741)
Sewer	20,000	25,000	(5,000)
Sewer	301,784	373,039	(71,255)
Sewer	84,000	100,000	(16,000)
Water - Pump Stn Rd Treatment Plan	16,500,000	-	16,500,000
Water - Oak St. Treatment Plant	4,640,000	4,930,000	(290,000)
Water - Witch Pond Well	2,966,550	3,164,379	(197,829)
Water - Reuse	755,000	865,000	(110,000)
Water	1,185,000	1,360,000	(175,000)
Water	245,000	275,000	(30,000)
Water	18,418	20,721	(2,303)
<b>Total Business-type Activities</b>	<b>\$ 26,748,468</b>	<b>\$ 11,177,596</b>	<b>\$ 15,570,872</b>
<b>Grand Total All Long-Term Debt</b>	<b>\$ 56,165,568</b>	<b>\$ 36,274,797</b>	<b>\$ 19,890,771</b>

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 2017 budget and tax rates including the following:

- The FY 2017 operating budget was balanced and approved within identified available revenues while maintaining and improving service levels. The Town wide operating budget came in at \$70.56MM, a 7.0% increase over FY '16. Although this may appear to be a significant increase in the collective budgets, it's important to understand what drove the increases and the long range planning that has avoided large increases in taxes and rates.
- In the FY 2017 operation budget Municipal budgets increased 2.2%. School budgets increased 4.0%. General Fund debt service increased 13.5% driven by the addition of the planned included debt (within the levy limit) related to the new Town Hall building. Insurance and pension costs rose 9.9% driven by increased pension and health insurance obligations. Water and Sewer enterprise budgets increased by a combined 30.7% due to the addition of the Pumping Station Road water treatment plant debt service and the increased regional sewer assessment associated with the expansion of the regional sewer treatment plant.
- However, due to the long range planning by the Town's leadership, the FY '17 General Fund budget increase was able to be absorbed within the proposition 2.5% levy limit without the need to increase taxes beyond the limit as well as avoiding the need to ask for a debt exclusion as a result of the combination of continued expansion in new growth property taxes and local receipts. The effect of management's multi-year advance planned underutilization of local receipts, continued downward pressure on spending and maximizing new revenue generation, resulted in the Town having sufficient capacity within the operating budget (within the levy limit) for the debt service on its new Town Hall related bond issue in FY 2017. Town leadership continued its conservative approach to balancing general fund operating budgets by maintaining a very tight rein on spending. All major union contracts have been settled at a cost the Town can sustain and afford. Also, the Town continued its balanced reliance on "Free Cash" for the operating and capital budgets.
- Similarly the planned steady and stable moderate rate increases in both water and sewer rates over the last few years ensured that the spike in debt service and sewer assessment costs did not result in spikes in water and sewer rates. Again, this positive result is a function of long term planning for these known major infrastructure investment needs.
- The FY 2017 capital budget was funded at \$20.8MM in total within three separate warrant articles. The largest item was \$16.7MM for the Pumping Station Road water treatment plant. This will likely be the last water treatment plant needed in Foxborough, and will result in town wide clean water. \$16.5MM is from borrowing and \$200K from available funds, with all costs funded from water rates. \$3.4MM was approved for the Town's recurring capital needs, and \$700K for a feasibility study related to the rehabilitation of the Burrell elementary school (one of three in Foxborough). The combined \$4.1 million was all funded without the need to borrow. It's this type of Yankee conservatism, i.e., cash funding approach that greatly helps to keep the Town on solid financial footing by limiting the need to borrow and pay interest.
- FY 2016 was the first full year of the Town's centralized building maintenance department for all School and Town owned buildings. Building on the success of the centralized information systems department partnership between Town & School, management has wrapped the responsibility of maintaining all of its buildings under the already existing School maintenance department. The Town side did not have such a function. However, with minimal staff additions and the establishment of an appropriate maintenance budget, the Town is now well positioned to maximize the useful life of all of its facilities. These efficiencies within the Town government are the direct result of the continuing excellent partnership across Town and School leadership and its employees.

- 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 local municipality. Foxborough enacted this tax effective for FY 2012. Annual revenues have grown from \$667 thousand to \$976 thousand in FY 2016. Meals tax receipts are forecast to come in at \$1.04 million in FY 2017.
- The Board of Selectmen's voted policy is to only use the Meals Tax revenue stream for non-operating uses such as funding the Town's Other Post-Employment Benefits (OPEB) obligations, roadway improvements and possibly other capital projects. In FY '17 the Town committed \$800 thousand of meals tax revenues towards the OPEB liability, bringing the cumulative meals tax funding of the OPEB liability to \$3.3 million. The balance, or \$1.82 million, has been committed to road reconstruction projects in support of the Town's street-by-street pavement management plan.
- The \$3.3 million 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 '11 from dormant employee benefits related accounts. The Town is committed to continue funding this obligation annually with the Meals Tax revenue, as the Town is currently funding at the annual required contribution (ARC), which will fully amortize this liability by FY 2038. In addition, the Water and Sewer enterprise funds also contribute at the ARC level.
- Based on the FY 2015 actuarial report the Town has cut its unfunded liability by 64%, or by \$39.5MM, over six years, from \$62.2MM at FYE 2009, to \$22.7MM at FYE 2015. This dramatic reduction, which is a taxpayer savings, is a direct result of the funding schedule the Town has been following, the successful renegotiation of health plan design with all employee groups, as well as the Board of Selectmen's decision to require all retirees to pay the same percentage of their health premiums.
- FY 2016 is the off year for the required bi-annual actuarial update to the OPEB unfunded liability. The calculation of this liability will be updated after the close of FY 2017. However we are pleased to report that the Town's investment performance of 3.03% for FY 2016 beat its benchmarks by 2.5% and 3.5% in a flat market cycle. The OPEB Trust Fund is valued at \$5.5MM at FYE 2016 and has an average annualized return of 6.86% since inception.
- In FY 2016 the Town began the construction of the first of two solar energy farms utilizing available Town land, including the former landfill and composting areas. The agreements were originally executed with SunEdison, but unfortunately SunEdison filed for bankruptcy. However, a stronger solar industry player, NRG, has assumed the Town's contracts and has agreed to honor all of the terms. Although we had originally planned to realize the financial benefits of the solar fields in late FY 2016, NRG is at near completion of installing these fields as of this writing in FY 2017. Our revenue forecasts had already significantly hedged against this new revenue stream, and therefore had a de minimus impact on revenue expectations. However, beginning in the fourth quarter of FY 2017, the Town fully expects to yield the anticipated \$7.38 million over the next 20 years via a combination of lease payments and credits from the energy company as a result of selling energy back to "the grid". This is expected to have a significantly positive impact on the Town's energy costs.
- In June of 2016 the Town sold \$6.86MM of 20 years bonds for the Town Hall building project at the very favorable interest rate of 2.09%. In this same bond offering the Town sold an additional \$16.5MM to fund the construction of the Pumping Station Road Water Treatment Plant and related infrastructure. The Town fetched a favorable 2.60% interest rate for this 30 year term issue.
- Prior to the sale Standard & Poor's performed a credit review and upgraded the Town's "AA+" bond rating to the highest rating of "AAA" with a "stable" outlook. This is a very significant milestone for Foxborough and puts the Town in an elite group across the state. This ratings change saved the taxpayers over a \$1MM on these bond offerings alone.
- The rating agency cited the Town's very strong economy, very strong management with strong financial policies and practices, strong budgetary performance, very strong budgetary flexibility and liquidity, very strong debt and contingent liability position, and strong institutional framework as positive credit factors.

- S&P's upgrade recognized the formalized financial policies that had recently been documented by the Town's Audit Committee and subsequently adopted unanimously by all major Foxborough policy boards, including the Board of Selectmen, School Committee, Board of Water & Sewer Commissioners, and the Advisory Committee. The financial policies cover the topics of reserves, capital, debt and contingent liabilities, i.e., pension and OPEB. The formal adoption of these policies did not represent a change in how the Town manages its finances. These policies just put into writing the successful practices the Town had already been following. The intent of adopting these policies is to signal that regardless of the eventual transition of elected and appointed officials over time, that there will be stability in the handling of the Town's finances. Adoption of these policies is in essence a commitment to fiscal stability.
- All will now be able to annually objectively evaluate if the Town is maintaining its strong financial position. An easy to follow annual scorecard is now developed and reported out on whether or not the Town is adhering to each of its adopted policies. The FY 2016 scorecard can be found on the Town's website, [Foxboroughma.gov](http://Foxboroughma.gov), on the Finance department page under "Additional Links". In addition, the Town's bond rating documents can be found on the Revenue Office page within the Finance department.
- The rating contained the following statement that is indicative of the financial community's expectations of Foxborough now having achieved the highest rating, if the Town is going to maintain it:
 

"We rate Foxborough higher than the sovereign because we believe the town can maintain better credit characteristics than the U.S. in a stress scenario based on its predominantly locally derived revenue base and our view that pledged revenue supporting debt service on the bonds is at limited risk of negative sovereign intervention. In 2015, local property taxes generated 63% of revenue, demonstrating a lack of dependence on central government revenue."
- The same developer for the Foxborough based 1.35 million square foot Patriot Place mixed use commercial development on 90.5 acres, and owners of Gillette Stadium, the New England Patriots football team, and the New England Revolution soccer team, the Kraft Group, has previously proposed a technology office park complex, larger than the Patriot Place project in square footage terms, across the street (*U.S. Route 1*) from Patriot Place and the stadium. This project is still in the planning stages. However, due to local developments supporting a commuter rail station coming to Foxborough, that is adjacent to the Kraft properties, advancement is imminent.
- Two years ago the state purchased an integral rail line that will directly connect Foxborough, and the Kraft properties, to important public transportation infrastructure. Town officials are very optimistic about the eventual substantial commercial growth targeted for the Town of Foxborough, as this additional commercial development alone will have a meaningful accretive impact on the Town's financial condition in future years. We continue to see movement with new commercial development from the Kraft Group, and other commercial developers, as a new hotel has recently opened at Patriot Place, and another is being constructed on the other side of Town. The Kraft Group has also been very active in filling vacancies at the Patriot Place complex with popular restaurant and retail offerings.
- Foxborough continues to attract new substantial, yet low impact, commercial development in other sections of the Town, further balancing the commercial attractiveness of the community. In addition, Schneider Electric, the Town's largest employer (1,100+) recently completed its \$30+ million renovation of its Foxborough based facilities, further solidifying its 105+ year commitment to Foxborough.
- The Town is addressing multiple strategic economic development related initiatives. Foxborough is now a partner in a regional sewer pact with surrounding Towns. This development is significant as it will put significant downward pressure on sewer rates. More importantly it will allow for a significant expansion of central sewer capacities. This has already stimulated several new commercial and residential growth projects in the Town that will also be accretive to the Town's tax base, while having minimal impact on services.



- In light of these significant changes, the Town's Master Plan, relating to land use, has been updated via a thorough all inclusive process. The Town has also reactivated its Economic Development Committee and reinvigorated the membership with several new members representing all parts of the business and government planning community. With significant new property development capabilities on the horizon, Town leaders are taking a proactive approach to managing this growth so as to minimize the impact on local services, while maintaining the revered character of our relatively small suburban community.
- The Board of Selectmen voted during their annual Classification Hearing to maintain the split the tax rate for the sixth consecutive year due to the noticeable disparity in value shifting from commercial to residential that had developed over the past six years, but has begun to equalize.
- The tax rate was set for fiscal 2017 at \$17.13 per thousand for business and \$15.04 for residential, a \$0.52 decrease for business and \$0.22 increase for residential. These rates brought the tax levy to the allowable levy limit for the 20th consecutive year.

***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](http://www.foxboroughma.gov).

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 28,259,605	\$ 24,151,726	\$ 52,411,331
INVESTMENTS	5,000,247	-	5,000,247
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	301,125	-	301,125
TAX LIENS	1,263,218	-	1,263,218
MOTOR VEHICLE EXCISE TAXES	237,531	-	237,531
USER FEES	293,460	2,437,512	2,730,972
DEPARTMENTAL AND OTHER	288,684	-	288,684
INTERGOVERNMENTAL	1,267,865	-	1,267,865
OTHER ASSETS	25,061	-	25,061
NONCURRENT:			
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	86,961,664	20,878,249	107,839,913
<b>TOTAL ASSETS</b>	<b>123,898,460</b>	<b>47,467,487</b>	<b>171,365,947</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
RELATED TO PENSIONS	4,191,650	87,290	4,278,940
<b>LIABILITIES</b>			
CURRENT:			
ACCOUNTS PAYABLE	4,700,527	134,344	4,834,871
OTHER LIABILITIES	50,605	-	50,605
ACCRUED INTEREST	214,581	41,733	256,314
LANDFILL POSTCLOSURE CARE COSTS	37,000	-	37,000
COMPENSATED ABSENCES	461,545	27,763	489,308
BONDS AND NOTES PAYABLE	2,405,762	1,520,852	3,926,614
NONCURRENT:			
LANDFILL POSTCLOSURE CARE COSTS	444,000	-	444,000
COMPENSATED ABSENCES	985,843	72,085	1,057,928
POSTEMPLOYMENT BENEFITS	13,958,312	263,191	14,221,503
NET PENSION LIABILITY	34,054,333	709,175	34,763,508
BONDS AND NOTES PAYABLE	27,354,278	26,052,334	53,406,612
<b>TOTAL LIABILITIES</b>	<b>84,666,786</b>	<b>28,821,477</b>	<b>113,488,263</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
DEFERRED AMOUNT ON REFUNDING	541,100	84,900	626,000
RELATED TO PENSIONS	2,997,647	62,425	3,060,072
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,538,747</b>	<b>147,325</b>	<b>3,686,072</b>
<b>NET POSITION</b>			
NET INVESTMENT IN CAPITAL ASSETS	63,106,967	10,853,616	73,960,583
RESTRICTED FOR:			
PERMANENT FUNDS:			
EXPENDABLE	184,464	-	184,464
NONEXPENDABLE	172,565	-	172,565
OTHER PURPOSES	13,247,355	-	13,247,355
UNRESTRICTED	(36,826,774)	7,732,359	(29,094,415)
<b>TOTAL NET POSITION</b>	<b>\$ 39,884,577</b>	<b>\$ 18,585,975</b>	<b>\$ 58,470,552</b>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2016**

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUE</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
<b>PRIMARY GOVERNMENT:</b>					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 3,088,267	\$ 686,183	\$ 100,564	\$ -	\$ (2,301,520)
PUBLIC SAFETY	9,003,904	3,207,259	255,390	-	(5,541,255)
EDUCATION	39,225,295	1,768,058	11,366,078	-	(26,091,159)
PUBLIC WORKS	2,828,936	12,791	13,075	868,960	(1,934,110)
HUMAN SERVICES	982,981	123,808	153,381	-	(705,792)
CULTURE & RECREATION	1,863,345	353,498	67,539	-	(1,442,308)
EMPLOYEE BENEFITS	18,324,510	-	5,493,884	-	(12,830,626)
STATE & COUNTY ASSESSMENTS	389,029	-	-	-	(389,029)
INTEREST	959,680	-	-	-	(959,680)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>76,665,947</b>	<b>6,151,597</b>	<b>17,449,911</b>	<b>868,960</b>	<b>(52,195,479)</b>
BUSINESS-TYPE ACTIVITIES:					
WATER	3,830,026	5,752,009	250,662	16,949	2,189,594
SEWER	1,192,486	959,063	56,651	48,025	(128,747)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>5,022,512</b>	<b>6,711,072</b>	<b>307,313</b>	<b>64,974</b>	<b>2,060,847</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 81,688,459</b>	<b>\$ 12,862,669</b>	<b>\$ 17,757,224</b>	<b>\$ 933,934</b>	<b>\$ (50,134,632)</b>

See accompanying notes to the basic financial statements

(continued)

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2016**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>CHANGES IN NET POSITION:</b>			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (52,195,479)	\$ 2,060,847	\$ (50,134,632)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	42,720,940	-	42,720,940
TAX LIENS	329,828	-	329,828
MOTOR VEHICLE AND OTHER EXCISE TAXES	2,862,495	-	2,862,495
HOTEL/MOTEL TAX	2,367,405	-	2,367,405
PENALTIES AND INTEREST ON TAXES	179,036	-	179,036
PAYMENTS IN LIEU OF TAXES	3,993,821	-	3,993,821
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,629,567	-	1,629,567
UNRESTRICTED INVESTMENT INCOME	96,288	-	96,288
MISCELLANEOUS	279,591	-	279,591
TRANSFERS, NET	627,747	(627,747)	-
TOTAL GENERAL REVENUES AND TRANSFERS	55,086,718	(627,747)	54,458,971
CHANGE IN NET POSITION	2,891,239	1,433,100	4,324,339
<b>NET POSITION:</b>			
<b>BEGINNING OF YEAR</b>	36,993,338	17,152,875	54,146,213
<b>END OF YEAR</b>	\$ 39,884,577	\$ 18,585,975	\$ 58,470,552

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016**

<b>ASSETS</b>	<b>GENERAL</b>	<b>NEW TOWN HALL FUND</b>	<b>EMS FUND</b>	<b>NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
CASH AND SHORT-TERM INVESTMENTS	\$ 16,279,855	\$ 6,595,595	\$ 2,236,403	\$ 3,147,752	\$ 28,259,605
INVESTMENTS	5,000,247	-	-	-	5,000,247
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:					
REAL ESTATE AND PERSONAL PROPERTY TAXES	301,125	-	-	-	301,125
TAX LIENS	1,263,218	-	-	-	1,263,218
MOTOR VEHICLE EXCISE TAXES	237,531	-	-	-	237,531
USER FEES	-	-	293,460	-	293,460
DEPARTMENTAL AND OTHER	400	-	-	288,284	288,684
INTERGOVERNMENTAL	90,311	-	-	1,177,554	1,267,865
OTHER ASSETS	25,061	-	-	-	25,061
<b>TOTAL ASSETS</b>	<b>23,197,748</b>	<b>6,595,595</b>	<b>2,529,863</b>	<b>4,613,590</b>	<b>36,936,796</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
LIABILITIES:					
ACCOUNTS PAYABLE	3,990,110	551,958	-	158,459	4,700,527
OTHER LIABILITIES	50,605	-	-	-	50,605
<b>TOTAL LIABILITIES</b>	<b>4,040,715</b>	<b>551,958</b>	<b>-</b>	<b>158,459</b>	<b>4,751,132</b>
DEFERRED INFLOWS OF RESOURCES:					
UNAVAILABLE REVENUE	1,807,166	-	293,460	288,284	2,388,910
FUND BALANCES:					
NONSPENDABLE	-	-	-	172,565	172,565
RESTRICTED	855,181	6,043,637	2,236,403	4,206,233	13,341,454
COMMITTED	804,842	-	-	-	804,842
ASSIGNED	5,019,233	-	-	-	5,019,233
UNASSIGNED	10,670,611	-	-	(211,951)	10,458,660
<b>TOTAL FUND BALANCES</b>	<b>17,349,867</b>	<b>6,043,637</b>	<b>2,236,403</b>	<b>4,166,847</b>	<b>29,796,754</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>	<b>\$ 23,197,748</b>	<b>\$ 6,595,595</b>	<b>\$ 2,529,863</b>	<b>\$ 4,613,590</b>	<b>\$ 36,936,796</b>

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, 2016**

	<u>GENERAL</u>	<u>NEW TOWN HALL FUND</u>	<u>EMS FUND</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES:</b>					
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 42,926,750	\$ -	\$ -	\$ -	\$ 42,926,750
INTERGOVERNMENTAL	16,131,352	-	-	3,323,739	19,455,091
MOTOR VEHICLE EXCISE TAXES	2,812,642	-	-	-	2,812,642
PAYMENTS IN LIEU OF TAXES	3,994,171	-	-	-	3,994,171
PENALTIES AND INTEREST ON TAXES	179,036	-	-	-	179,036
CHARGES FOR SERVICES	-	-	1,300,227	2,306,378	3,606,605
INVESTMENT INCOME	86,504	-	-	1,740	88,244
CONTRIBUTIONS & DONATIONS	-	-	-	197,518	197,518
DEPARTMENTAL AND OTHER	5,457,689	-	-	58,717	5,516,406
<b>TOTAL REVENUES</b>	<b>71,588,144</b>	<b>-</b>	<b>1,300,227</b>	<b>5,888,092</b>	<b>78,776,463</b>
<b>EXPENDITURES:</b>					
CURRENT:					
GENERAL GOVERNMENT	2,967,372	1,302,492	-	153,364	4,423,228
PUBLIC SAFETY	8,680,630	-	-	80,156	8,760,786
EDUCATION	34,214,573	-	-	3,672,470	37,887,043
PUBLIC WORKS	2,450,303	-	-	1,322,675	3,772,978
HUMAN SERVICES	945,243	-	-	38,497	983,740
CULTURE & RECREATION	1,134,927	-	-	510,487	1,645,414
EMPLOYEE BENEFITS	16,699,335	-	-	243,692	16,943,027
STATE & COUNTY ASSESSMENTS	389,029	-	-	-	389,029
DEBT SERVICE					
PRINCIPAL	1,385,000	-	-	41,101	1,426,101
INTEREST	603,969	-	-	1,248	605,217
<b>TOTAL EXPENDITURES</b>	<b>69,470,381</b>	<b>1,302,492</b>	<b>-</b>	<b>6,063,690</b>	<b>76,836,563</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,117,763</b>	<b>(1,302,492)</b>	<b>1,300,227</b>	<b>(175,598)</b>	<b>1,939,900</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
PROCEEDS FROM BONDS AND NOTES	-	6,860,000	-	-	6,860,000
PROCEEDS FROM REFUNDING BONDS	7,451,000	-	-	-	7,451,000
PROCEEDS FROM BOND PREMIUM	801,362	-	-	107,290	908,652
PAYMENTS TO REFUNDED BOND ESCROW AGENT	(8,830,018)	-	-	-	(8,830,018)
BOND ISSUANCE COSTS	-	-	-	(107,290)	(107,290)
OPERATING TRANSFERS IN	1,994,131	-	-	254,000	2,248,131
OPERATING TRANSFERS OUT	(254,000)	-	(1,166,951)	(199,433)	(1,620,384)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,162,475</b>	<b>6,860,000</b>	<b>(1,166,951)</b>	<b>54,567</b>	<b>6,910,091</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,280,238</b>	<b>5,557,508</b>	<b>133,276</b>	<b>(121,031)</b>	<b>8,849,991</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>14,069,629</b>	<b>486,129</b>	<b>2,103,127</b>	<b>4,287,878</b>	<b>20,946,763</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 17,349,867</b>	<b>\$ 6,043,637</b>	<b>\$ 2,236,403</b>	<b>\$ 4,166,847</b>	<b>\$ 29,796,754</b>

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 POSITION  
JUNE 30, 2016**

<b>TOTAL GOVERNMENTAL FUND BALANCES</b>		\$ 29,796,754
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		86,961,664
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		2,388,910
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(214,581)
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	(29,417,100)	
DEFERRED AMOUNT ON REFUNDING	(541,100)	
UNAMORTIZED BOND PREMIUM	(342,940)	
NET PENSION LIABILITY	(34,054,333)	
DEFERRED INFLOWS OF RESOURCES	(2,997,647)	
DEFERRED OUTFLOWS OF RESOURCES	4,191,650	
COMPENSATED ABSENCES	(1,447,388)	
POSTEMPLOYMENT BENEFITS	(13,958,312)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(481,000)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(79,048,170)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 39,884,577</u></b>

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, 2016**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 8,849,991**

GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES. HOWEVER, IN THE STATEMENT OF ACTIVITIES THE COST OF THOSE ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AND REPORTED AS DEPRECIATION EXPENSE.

CAPITAL OUTLAY	4,636,067	
DEPRECIATION EXPENSE	<u>(4,192,606)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		443,461

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

144,035

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.

PROCEEDS FROM BONDS AND NOTES	(6,860,000)	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>2,061,101</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		(4,798,899)

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.

NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	98,288	
NET CHANGE IN POSTEMPLOYMENT BENEFITS ACCRUAL	136,520	
NET CHANGE IN DEFERRED INFLOWS OF RESOURCES	(2,997,647)	
NET CHANGE IN DEFERRED OUTFLOWS OF RESOURCES	2,845,853	
NET CHANGE IN NET PENSION LIABILITY	(1,464,497)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	37,000	
NET CHANGE IN DEFERRED AMOUNT ON REFUNDING	10,350	
NET CHANGE IN UNAMORTIZED BOND PREMIUM	(342,940)	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>(70,276)</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>(1,747,349)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 2,891,239**

See accompanying notes to the basic financial statements



**TOWN OF FOXBOROUGH, MASSACHUSETTS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FISCAL YEAR ENDED JUNE 30, 2016**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<b><u>REVENUES:</u></b>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 42,419,320	\$ 42,419,320	\$ 42,926,750	\$ 507,430
MOTOR VEHICLE EXCISE TAXES	2,350,000	2,350,000	2,812,642	462,642
PENALTIES & INTEREST ON TAXES	145,000	145,000	179,036	34,036
INTERGOVERNMENTAL	10,600,248	10,600,248	10,678,111	77,863
PAYMENTS IN LIEU OF TAXES	1,404,177	1,404,177	3,994,171	2,589,994
INVESTMENT INCOME	60,000	60,000	73,991	13,991
DEPARTMENTAL AND OTHER	4,290,433	4,418,933	5,457,689	1,038,756
<b>TOTAL REVENUES</b>	<b>61,269,178</b>	<b>61,397,678</b>	<b>66,122,390</b>	<b>4,724,712</b>
<b><u>EXPENDITURES:</u></b>				
CURRENT:				
GENERAL GOVERNMENT	3,645,058	3,696,343	3,543,763	152,580
PUBLIC SAFETY	8,554,890	8,798,827	8,648,840	149,987
EDUCATION	34,369,227	34,369,227	34,285,996	83,231
PUBLIC WORKS	2,344,832	2,403,824	2,462,956	(59,132)
HUMAN SERVICES	914,823	954,171	942,234	11,937
CULTURE & RECREATION	1,277,044	1,296,151	1,275,512	20,639
EMPLOYEE BENEFITS	11,342,473	11,336,647	11,259,880	76,767
STATE & COUNTY ASSESSMENTS	360,668	360,668	389,029	(28,361)
DEBT SERVICE:				
PRINCIPAL	1,385,000	1,385,000	1,385,000	-
INTEREST	590,202	590,202	566,257	23,945
<b>TOTAL EXPENDITURES</b>	<b>64,784,217</b>	<b>65,191,060</b>	<b>64,759,467</b>	<b>431,593</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,515,039)</u>	<u>(3,793,382)</u>	<u>1,362,923</u>	<u>5,156,305</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
OPERATING TRANSFERS IN	1,594,540	1,604,591	1,994,131	389,540
OPERATING TRANSFERS OUT	(254,000)	(254,000)	(254,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,340,540</b>	<b>1,350,591</b>	<b>1,740,131</b>	<b>389,540</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,174,499)</b>	<b>(2,442,791)</b>	<b>3,103,054</b>	<b>5,545,845</b>
<b>BUDGETARY FUND BALANCE, BEGINNING OF YEAR</b>	<b>9,877,194</b>	<b>9,877,194</b>	<b>9,877,194</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, END OF YEAR</b>	<b>\$ 7,702,695</b>	<b>\$ 7,434,403</b>	<b>\$ 12,980,248</b>	<b>\$ 5,545,845</b>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2016**

<b>ASSETS</b>	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>		
	<b>WATER</b>	<b>SEWER</b>	<b>TOTAL</b>
<b>CURRENT:</b>			
CASH AND SHORT-TERM INVESTMENTS	\$ 23,461,314	\$ 690,412	\$ 24,151,726
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	1,979,335	458,177	2,437,512
TOTAL CURRENT ASSETS	25,440,649	1,148,589	26,589,238
<b>NONCURRENT:</b>			
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	19,419,536	1,458,713	20,878,249
<b>TOTAL ASSETS</b>	<b>44,860,185</b>	<b>2,607,302</b>	<b>47,467,487</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
RELATED TO PENSIONS	59,905	27,385	87,290
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
ACCOUNTS PAYABLE	105,875	28,469	134,344
ACCRUED INTEREST	40,287	1,446	41,733
COMPENSATED ABSENCES	24,987	2,776	27,763
BONDS AND NOTES PAYABLE	1,401,882	118,970	1,520,852
TOTAL CURRENT LIABILITIES	1,573,031	151,661	1,724,692
<b>NONCURRENT:</b>			
COMPENSATED ABSENCES	64,876	7,209	72,085
POSTEMPLOYMENT BENEFITS	174,869	88,322	263,191
NET PENSION LIABILITY	486,689	222,486	709,175
BONDS AND NOTES PAYABLE	25,732,804	319,530	26,052,334
TOTAL NONCURRENT LIABILITIES	26,459,238	637,547	27,096,785
<b>TOTAL LIABILITIES</b>	<b>28,032,269</b>	<b>789,208</b>	<b>28,821,477</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
DEFERRED AMOUNT ON REFUNDING	84,900	-	84,900
RELATED TO PENSIONS	42,841	19,584	62,425
TOTAL DEFERRED INFLOWS OF RESOURCES	127,741	19,584	147,325
<b>NET POSITION</b>			
NET INVESTMENT IN CAPITAL ASSETS	9,810,486	1,043,130	10,853,616
UNRESTRICTED	6,949,594	782,765	7,732,359
<b>TOTAL NET POSITION</b>	<b>\$ 16,760,080</b>	<b>\$ 1,825,895</b>	<b>\$ 18,585,975</b>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FISCAL YEAR ENDED JUNE 30, 2016**

	<b>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</b>		
	<b>WATER</b>	<b>SEWER</b>	<b>TOTAL</b>
<b><u>OPERATING REVENUES:</u></b>			
CHARGES FOR SERVICES	\$ 5,752,009	\$ 959,063	\$ 6,711,072
DEPARTMENTAL AND OTHER	236,282	55,082	291,364
TOTAL OPERATING REVENUES	5,988,291	1,014,145	7,002,436
<b><u>OPERATING EXPENSES:</u></b>			
GENERAL SERVICES	2,708,598	1,107,959	3,816,557
DEPRECIATION	804,520	63,528	868,048
TOTAL OPERATING EXPENSES	3,513,118	1,171,487	4,684,605
OPERATING INCOME (LOSS)	2,475,173	(157,342)	2,317,831
<b><u>NON-OPERATING REVENUES (EXPENSES):</u></b>			
INTERGOVERNMENTAL	16,949	48,025	64,974
INVESTMENT INCOME	14,380	1,569	15,949
INTEREST EXPENSE	(316,908)	(20,999)	(337,907)
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	(285,579)	28,595	(256,984)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	2,189,594	(128,747)	2,060,847
<b><u>OPERATING TRANSFERS:</u></b>			
OPERATING TRANSFERS OUT	(531,139)	(96,608)	(627,747)
CHANGE IN NET POSITION	1,658,455	(225,355)	1,433,100
NET POSITION AT BEGINNING OF YEAR	15,101,625	2,051,250	17,152,875
NET POSITION AT END OF YEAR	\$ 16,760,080	\$ 1,825,895	\$ 18,585,975

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FISCAL YEAR ENDED JUNE 30, 2016**

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>			
RECEIPTS FROM CUSTOMERS AND USERS	\$ 6,120,260	\$ 1,233,436	\$ 7,353,696
PAYMENTS TO SUPPLIERS	(1,731,063)	(944,462)	(2,675,525)
PAYMENTS TO EMPLOYEES	(1,178,893)	(129,981)	(1,308,874)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,210,304</u>	<u>158,993</u>	<u>3,369,297</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>			
OPERATING TRANSFERS IN ( OUT)	<u>(531,139)</u>	<u>(96,608)</u>	<u>(627,747)</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>			
PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	16,484,000	-	16,484,000
PROCEEDS FROM BOND PREMIUM - NET OF COSTS	824,718	-	824,718
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(796,880)	(86,777)	(883,657)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(1,320,910)	-	(1,320,910)
INTEREST EXPENSE	<u>(309,369)</u>	<u>(8,911)</u>	<u>(318,280)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>14,881,559</u>	<u>(95,688)</u>	<u>14,785,871</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>			
INTEREST RECEIVED	<u>14,380</u>	<u>1,569</u>	<u>15,949</u>
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	17,575,104	(31,734)	17,543,370
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	<u>5,886,210</u>	<u>722,146</u>	<u>6,608,356</u>
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	<u>23,461,314</u>	<u>690,412</u>	<u>24,151,726</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS)</u></b>			
<b><u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u></b>			
OPERATING INCOME (LOSS)	<u>2,475,173</u>	<u>(157,342)</u>	<u>2,317,831</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
DEPRECIATION	804,520	63,528	868,048
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	131,969	219,291	351,260
(INCREASE) DECREASE IN DEFERRED OUTFLOWS OF RESOURCES	(40,671)	(18,593)	(59,264)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(211,221)	25,144	(186,077)
INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE	14,000	1,555	15,555
INCREASE (DECREASE) IN POSTEMPLOYMENT BENEFITS	(27,237)	(3,742)	(30,979)
INCREASE (DECREASE) IN DEFERRED INFLOWS OF RESOURCES	42,841	19,584	62,425
INCREASE (DECREASE) IN NET PENSION LIABILITY	<u>20,930</u>	<u>9,568</u>	<u>30,498</u>
TOTAL ADJUSTMENTS	<u>735,131</u>	<u>316,335</u>	<u>1,051,466</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 3,210,304</u>	<u>\$ 158,993</u>	<u>\$ 3,369,297</u>

See accompanying notes to the basic financial statements

TOWN OF FOXBOROUGH, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2016

<u>ASSETS</u>	<u>POSTEMPLOYMENT BENEFITS TRUST</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
CASH AND SHORT-TERM INVESTMENTS	\$ 40,943	\$ 22,700	\$ 655,805
INVESTMENTS	5,504,215	123,471	-
DEPARTMENTAL	-	-	389,401
TOTAL ASSETS	<u>5,545,158</u>	<u>146,171</u>	<u>1,045,206</u>
 <u>LIABILITIES</u>			
ACCOUNTS PAYABLE	-	-	855
OTHER LIABILITIES	-	-	1,044,351
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>1,045,206</u>
 <u>NET POSITION</u>			
HELD IN TRUST FOR PLAN PARTICIPANTS	5,545,158	-	-
HELD IN TRUST FOR OTHER PURPOSES	-	146,171	-
TOTAL	<u>\$ 5,545,158</u>	<u>\$ 146,171</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FISCAL YEAR ENDED JUNE 30, 2016**

	<u>POSTEMPLOYMENT BENEFITS TRUST</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<b><u>ADDITIONS:</u></b>		
CONTRIBUTIONS:		
EMPLOYER	\$ 764,069	\$ -
DEPARTMENTAL	-	19,906
NET INVESTMENT INCOME (LOSS):		
INVESTMENT INCOME	<u>160,791</u>	<u>79</u>
TOTAL ADDITIONS	<u>924,860</u>	<u>19,985</u>
<b><u>DEDUCTIONS:</u></b>		
EDUCATIONAL SCHOLARSHIPS	<u>-</u>	<u>1,000</u>
CHANGE IN NET POSITION	924,860	18,985
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>4,620,298</u>	<u>127,186</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 5,545,158</u>	<u>\$ 146,171</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**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
Southeastern Regional Vocational Technical High School	To provide vocational education	250 Foundry Street Easton, MA 02375	\$ 308,722

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, 2016**

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**B. Government-Wide and Fund Financial Statements**

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net position 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.

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, 2016**

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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, net pension liability, 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, 2016**

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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 *EMS fund* is a special revenue fund used to account for the ambulance activity of the Town.
- The *New Town Hall fund* is a capital project fund used to account for the construction activity of the new Town Hall.
- 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.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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***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***

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide, proprietary fund, and fiduciary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board*. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

**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. Fair Value Measurements**

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds. Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 3 – Fair Market Value of Investments.

## **F. 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.

### *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. The lien 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.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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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 Title V receivables and are recorded as receivables in the fiscal year accrued. The Title V receivables are secured via the Tax Liens process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

*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.

**G. Inventories**

*Government-Wide and Fund Financial Statements*

Inventories of the governmental funds and the water and sewer 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.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**H. 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

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.

**I. 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.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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*Government-Wide Financial Statements*

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

**J. 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 are eliminated from the governmental activities in the statement of net position. 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.

**K. Deferred Outflows/Inflows of Resources**

*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town reported deferred outflows of resource related to pensions in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town reported deferred inflows of resource related to pensions in this category.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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*Governmental Funds Financial Statements*

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

**L. Net Position and Fund Equity**

*Government-Wide Financial Statements (Net Position)*

Net position are classified into three components:

- a. *Net investment in capital assets*, – 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 position* – Consists of net position 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 position have been “restricted” for the following:

- *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 position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”

*Fund Financial Statements (Fund Balances)*

The Town uses the following criteria for fund balance classification:

- For *nonspendable* fund balance: includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.



**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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- For *restricted* fund balance: when constraints placed on the use of the resources are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- For *committed* fund balance: (1) the government's highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
- For *assigned* fund balance: (1) the body or official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which the authorization is given.
- For *unassigned* fund balance: is the residual classification for the general fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Town uses the following criteria for fund balance policies and procedures:

- When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the unrestricted amount will be considered to have been spent.
- When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, and the least restricted amount will be considered to have been spent.

### **M. 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 position. 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.

### **N. 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, 2016**

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**O. 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 funds statement of net position. 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, 2016 is recorded in the governmental fund financial statement.

**P. Net Pension Liability**

Governmental Accounting Standards Board (GASB) Statement #68 requires employers participating in a cost-sharing pension plan to recognize pension liabilities as employees provide services to the government and earn their pension benefits. Employers participating in cost-sharing plans are required to recognize their proportionate share of the plan's collective pension amounts for all benefits provided through the plan including the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

**Q. Post-Retirement Benefits**

*Government-Wide and Fund Financial Statements*

In addition to providing pension benefits, health and life insurance coverage is provided for retired employees and their survivors in accordance with Chapter 32B, of Massachusetts General Laws, under various contributory plans. The cost of providing health and life insurance is recognized by recording the employer's 50% share of insurance premiums in the general fund in the fiscal year paid. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims.

**R. 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.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**S. 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.

**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 carry forward 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 2016 approved budget authorized \$63,972,255 in current year appropriations and other amounts to be raised and \$811,962 in articles carried forward from previous fiscal years. Supplemental appropriations of \$406,843 were approved at two Town Meetings for fiscal year 2016.

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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*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, 2016, is presented below:

Net change in fund balance - budgetary basis	\$ 3,103,054
Basis of accounting differences:	
Net stabilization fund activity	12,512
Increase in revenue for on-behalf payments - MTRS	5,453,241
Increase in expenditures for on-behalf payments - MTRS	(5,453,241)
Adjustment for Current Year Encumbrances	589,305
Adjustment for Current Year Articles	797,574
Adjustment for expenditures from prior year encumbrances	(644,551)
Adjustment for Bond Refunds	<u>(577,656)</u>
Net change in fund balance - GAAP basis	<u>\$ 3,280,238</u>

*C. Excess of Expenditures over Appropriations*

For the fiscal year ended June 30, 2016, actual expenditures exceeded appropriations for the snow and ice expenditures account. These over-expenditures will be funded by available funds during fiscal year 2017, as is allowed by Massachusetts General Laws (MGL).

*D. Deficit Fund Balances*

Several individual fund deficits exist within the special revenue, water and governmental capital project funds. These individual deficits will be eliminated through subsequent fiscal year budget transfers, grants and/or proceeds of long term debt during fiscal year 2017.

**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."

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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), Shared Insurance Fund (SIF) 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.

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, 2016:

Total bank balances		<u>\$ 55,097,172</u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	2,600,000	
Depositor's Insurance Fund (DIF)	15,241,712	
Shared Insurance Fund (SIF)	<u>11,079,892</u>	
Total bank balances covered by deposit insurance		28,921,604
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	18,518,132	
Bank balances uninsured & uncollateralized	<u>7,657,436</u>	
Total bank balances subject to custodial credit risk		<u>26,175,568</u>
Total bank balances		<u>\$ 55,097,172</u>

*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.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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.

- **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:

Investment type	Fair value	Minimum Legal Rating	Rating as of Year End	
			BBB+	Unrated
Corporate Bonds	\$ 53,726	N/A	\$ 53,726	\$ -
Common Stock	76,917	N/A	-	76,917
Fixed income mutual funds	1,416,902	N/A	-	1,416,902
Equity mutual funds	4,048,329	N/A	-	4,048,329
Money market mutual funds	31,812	N/A	-	31,812
Certificate of Deposit	5,000,247	N/A	-	5,000,247
<b>Total Investments</b>	<b>\$ 10,627,933</b>		<b>\$ 53,726</b>	<b>\$ 10,574,207</b>

- **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. The Town has no custodial credit risk exposure related to the corporate bonds, corporate equities, common stock, and certificate of deposit because the related securities are registered in the name of the Town. The mutual fund investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. 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 to change 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**  
**JUNE 30, 2016**

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

Investment type	Fair value	Investment maturities (in years)	
		Less than 1	1-5
<b><i>Debt Related Securities:</i></b>			
Corporate bonds	\$ 53,726	\$ -	\$ 53,726
Fixed income mutual funds	1,416,902	1,416,902	-
Cartificate of deposit	5,000,247	5,000,247	-
Total - Debt related securities	<u>6,470,875</u>	<u>6,417,149</u>	<u>53,726</u>
<b><i>Other Investments:</i></b>			
Equity mutual funds	4,048,329	4,048,329	-
Money market mutual funds	31,812	31,812	-
Common Stock	76,917	76,917	-
Total Other Investments	<u>4,157,058</u>	<u>4,157,058</u>	<u>-</u>
Total Investments	<u>\$10,627,933</u>	<u>\$10,574,207</u>	<u>\$ 53,726</u>

- ***Concentration of Credit Risk***

The Town will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Investments in foreign currency are not permitted.

Investments in 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.

***Fair Market Value of Investments***

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by the major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

The Town has the following recurring fair value measurement as of June 30, 2016.

Investment Type	June 30, 2016	Fair Value Measurements Using		
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Debt securities</b>				
Certificates of Deposit	\$ 5,000,247	\$ 5,000,247	\$ -	\$ -
Corporate Bonds	53,726	-	53,726	-
Fixed Income Mutual Funds	1,416,902	-	1,416,902	-
Total debt securities	6,470,875	5,000,247	1,470,628	-
<b>Other Investments</b>				
Common Stock	76,917	76,917	-	-
Mutual Funds	31,812	31,812	-	-
Equity Mutual Funds	4,048,329	4,048,329	-	-
Total other investments	4,157,058	4,157,058	-	-
Total investments measured at fair value	10,627,933	\$ 9,157,305	\$ 1,470,628	\$ -
<b>Investments measured at amortized cost</b>				
Massachusetts Municipal Depository Trust - (MMDT)	3,918,231			
<b>Total Investments</b>	<b>\$ 14,546,164</b>			

Common Stock, Certificate of Deposit, Equity Mutual Funds and Mutual Funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds and fixed income mutual funds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

Massachusetts Municipal Depository Trust (MMDT) investments are valued at amortized cost. Under the amortized cost method an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.



**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 4 – RECEIVABLES**

The receivables at June 30, 2016 for the Town’s individual major and nonmajor governmental and fiduciary 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	\$ 285,219	\$ -	\$ 285,219
Personal property taxes	78,106	(62,200)	15,906
Real estate and personal property taxes	363,325	(62,200)	301,125
Tax liens	1,263,218	-	1,263,218
Motor vehicle excise taxes	306,531	(69,000)	237,531
User fees	1,681,718	(1,388,258)	293,460
Departmental and other	678,085	-	678,085
Intergovernmental	1,267,865	-	1,267,865
Total	<u>\$ 5,560,742</u>	<u>\$ (1,519,458)</u>	<u>\$ 4,041,284</u>

The receivables at June 30, 2016, for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water</i>			
User fees	\$ 1,979,335	\$ -	\$ 1,979,335
<i>Sewer</i>			
User fees	458,177	-	458,177
Total	<u>\$ 2,437,512</u>	<u>\$ -</u>	<u>\$ 2,437,512</u>

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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Governmental funds report deferred inflows of resources 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 inflows of resources reported in the governmental funds were as follows:

Deferred Inflows of Resources Analysis

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Deferred Inflows::	General Fund	EMS Fund	Nonmajor Governmental Funds	Total
Deferred Property Taxes	\$ 215,706	\$ -	\$ -	\$ 215,706
Deferred Other Revenue	1,501,149	293,460	288,284	2,082,893
Deferred Intergovernmental Revenue	90,311	-	-	90,311
Total	<u>\$ 1,807,166</u>	<u>\$ 293,460</u>	<u>\$ 288,284</u>	<u>\$ 2,388,910</u>

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

<b>Governmental Activities:</b>	Beginning Balance	Increases	Decreases & Reclassifications	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 6,537,225	\$ -	\$ -	\$ 6,537,225
Construction in progress	422,731	1,302,492	(351,325)	1,373,898
Total capital assets not being depreciated	6,959,956	1,302,492	(351,325)	7,911,123
<i>Capital assets being depreciated:</i>				
Buildings and improvements	92,208,607	190,816	-	92,399,423
Capital improvements (other than buildings)	368,249	142,425	351,325	861,999
Machinery and equipment	5,446,603	493,836	-	5,940,439
Vehicles	11,771,747	726,116	-	12,497,863
Software	770,508	44,476	-	814,984
Infrastructure	23,517,581	1,735,906	-	25,253,487
Total capital assets being depreciated	134,083,295	3,333,575	351,325	137,768,195
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(33,393,228)	(2,083,315)	-	(35,476,543)
Capital improvements (other than buildings)	(194,508)	(71,878)	-	(266,386)
Machinery and equipment	(3,595,740)	(526,435)	-	(4,122,175)
Vehicles	(8,073,185)	(722,961)	-	(8,796,146)
Software	(649,513)	(40,745)	-	(690,258)
Infrastructure	(8,618,874)	(747,272)	-	(9,366,146)
Total accumulated depreciation	(54,525,048)	(4,192,606)	-	(58,717,654)
Total capital assets being depreciated, net	79,558,247	(859,031)	351,325	79,050,541
Total governmental activities capital assets, net	\$ 86,518,203	\$ 443,461	\$ -	\$ 86,961,664

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

<b>Business-Type Activities:</b>	Beginning Balance	Increases	Decreases & Reclassifications	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 692,282	\$ -	\$ -	\$ 692,282
Construction in progress	594,049	-	(594,049)	-
Total capital assets not being depreciated	1,286,331	-	(594,049)	692,282
<i>Capital assets being depreciated:</i>				
Machinery and equipment	2,289,571	473,896	-	2,763,467
Vehicles	448,726	141,982	-	590,708
Infrastructure	24,387,290	707,023	594,049	25,688,362
Total capital assets being depreciated	27,125,587	1,322,901	594,049	29,042,537
<i>Less accumulated depreciation for:</i>				
Machinery and equipment	(767,309)	(254,348)	-	(1,021,657)
Vehicles	(258,725)	(40,518)	-	(299,243)
Infrastructure	(6,962,488)	(573,182)	-	(7,535,670)
Total accumulated depreciation	(7,988,522)	(868,048)	-	(8,856,570)
Total capital assets being depreciated, net	19,137,065	454,853	594,049	20,185,967
Total business-type activities capital assets, net	\$ 20,423,396	\$ 454,853	\$ -	\$ 20,878,249

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

<b>Governmental Activities:</b>	
General government	\$ 142,886
Public safety	871,009
Education	1,958,700
Public works	903,960
Human services	26,624
Culture and recreation	<u>289,427</u>
Total depreciation expense - governmental activities	<u>\$ 4,192,606</u>
<b>Business-Type Activities:</b>	
Water	\$ 804,520
Sewer	<u>63,528</u>
Total depreciation expense - business-type activities	<u>\$ 868,048</u>

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**NOTE 6 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2016, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:			
	General Fund	Nonmajor Governmental Funds	Total	
Nonmajor Governmental Funds	\$ 28,592	\$ -	\$ 28,592	(1)
EMS Fund	1,166,951	-	1,166,951	(1)
General Fund	-	254,000	254,000	(1)
Nonmajor Governmental Funds	170,841	-	170,841	(3)
Sewer Enterprise Fund	96,608	-	96,608	(2)
Water Enterprise Fund	306,618	-	306,618	(2)
Water Enterprise Fund	224,521	-	224,521	(3)
Total	<u>\$ 1,994,131</u>	<u>\$ 254,000</u>	<u>\$ 2,248,131</u>	

- (1) Represents budgeted transfers.
- (2) Represents budgeted transfers from the various enterprise funds to the general fund.
- (3) Other transfers.

**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, and 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.

There were no short term borrowings in Fiscal 2016.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2016:

**Bonds and Notes Payable Schedule -Governmental Funds**

Project	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
High School renovation	3.35	\$ 7,800,000	\$ -	\$ 520,000	\$ 7,280,000
Library renovation	2.79	6,030,000	-	355,000	5,675,000
Title V	0.00	540,000	-	30,000	510,000
Title V	0.00	22,201	-	11,101	11,100
Landfill Closure	1.21	490,000	-	105,000	385,000
Senoir Center	1.21	60,000	-	30,000	30,000
School - Ahern Middle	1.21	465,000	-	70,000	395,000
Land Acquisition - Mill St.	1.21	675,000	-	80,000	595,000
School & Vehicles	3.84	2,243,000	-	2,243,000	-
Public Safety/Fire engines	3.84	4,072,000	-	4,072,000	-
Public Safety Building	4.02	2,700,000	-	2,475,000	225,000
Ahern School	1.40	-	1,828,000	-	1,828,000
Public Safety	1.60	-	2,154,000	-	2,154,000
Public Safety	1.41	-	3,416,000	-	3,416,000
School Remodeling	1.30	-	53,000	-	53,000
Town Hall	2.09	-	6,860,000	-	6,860,000
<b>Total Bonds and Notes Payable</b>		<u>25,097,201</u>	<u>14,311,000</u>	<u>9,991,101</u>	<u>29,417,100</u>
<b>Add: Unamortized Premium</b>		<u>-</u>	<u>342,940</u>	<u>-</u>	<u>342,940</u>
<b>Total</b>		<u><u>\$ 25,097,201</u></u>	<u><u>\$ 14,653,940</u></u>	<u><u>\$ 9,991,101</u></u>	<u><u>\$ 29,760,040</u></u>

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2016 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,376,100	\$ 949,826	\$ 3,325,926
2018	2,320,000	860,680	3,180,680
2019	2,315,000	783,255	3,098,255
2020	2,311,000	708,865	3,019,865
2021	2,206,000	633,135	2,839,135
2021-2026	9,859,000	2,135,265	11,994,265
2027-2031	5,920,000	792,281	6,712,281
2032-2036	2,110,000	167,000	2,277,000
 Total	 <u>\$ 29,417,100</u>	 <u>\$ 7,030,307</u>	 <u>\$ 36,447,407</u>

**Bonds and Notes Payable Schedule -Water and Sewer Enterprise Funds**

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2015</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2016</u>
Sewer	Var.	\$ 64,457	\$ -	\$ 31,741	\$ 32,716
Sewer	Var.	25,000	-	5,000	20,000
Sewer	Var.	373,039	-	71,255	301,784
Sewer	3.86	100,000	-	100,000	-
Water	2.79	4,930,000	-	290,000	4,640,000
Water	2.00	3,164,379	-	197,829	2,966,550
Water Reuse	1.21	865,000	-	110,000	755,000
Water	1.21	1,360,000	-	175,000	1,185,000
Water	Var.	275,000	-	30,000	245,000
Water	1.21	20,721	-	2,303	18,418
Sewer	Var.	-	84,000	-	84,000
Water	Var.	-	16,500,000	-	16,500,000
 Total Bonds and Notes Payable		 <u>11,177,596</u>	 <u>16,584,000</u>	 <u>1,013,128</u>	 <u>26,748,468</u>
 Add: Unamortized Premium		 <u>-</u>	 <u>824,718</u>	 <u>-</u>	 <u>824,718</u>
 Total		 <u>\$ 11,177,596</u>	 <u>\$ 17,408,718</u>	 <u>\$ 1,013,128</u>	 <u>\$ 27,573,186</u>



**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2016 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,473,097	\$ 768,578	\$ 2,241,675
2018	1,453,651	780,769	2,234,420
2019	1,457,811	729,614	2,187,425
2020	1,465,246	679,026	2,144,272
2021	1,384,938	626,089	2,011,027
2022-2026	6,019,150	2,516,714	8,535,864
2027-2031	4,954,575	1,656,239	6,610,814
2032-2036	3,040,000	1,084,100	4,124,100
2037-2041	2,750,000	660,000	3,410,000
2042-2046	2,750,000	247,500	2,997,500
Total	<u>\$ 26,748,468</u>	<u>\$ 9,748,629</u>	<u>\$ 36,497,097</u>

**Loans Authorized and Unissued**

As of June 30, 2016, 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
Design, Construct, Equip Water Treatment	5/10/2010	817,398
Total		<u>\$ 1,017,398</u>

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**Changes in Long-term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

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

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds and notes payable	\$ 25,097,201	\$ 14,311,000	\$ (9,991,101)	\$ 29,417,100	\$ 2,376,100
Add: Unamortized Premium	-	342,940	-	342,940	29,662
Total Bonds and Notes Payable	25,097,201	14,653,940	(9,991,101)	29,760,040	2,405,762
Compensated absences	1,545,676	-	(98,288)	1,447,388	461,545
Postemployment Benefits	14,094,832	-	(136,520)	13,958,312	-
Net pension liability	32,589,836	1,464,497	-	34,054,333	-
Landfill postclosure care costs	518,000	-	(37,000)	481,000	37,000
 Total governmental activities long-term liabilities	 <u>\$ 73,845,545</u>	 <u>\$ 16,118,437</u>	 <u>\$ (10,262,909)</u>	 <u>\$ 79,701,073</u>	 <u>\$ 2,904,307</u>
 <u>Business-Type Activities:</u>	 <u>Beginning Balance</u>	 <u>Additions</u>	 <u>Reductions</u>	 <u>Ending Balance</u>	 <u>Current Portion</u>
Bonds and notes payable	\$ 11,177,596	\$ 16,584,000	\$ (1,013,128)	\$ 26,748,468	\$ 1,473,097
Add: Unamortized Premiums	-	824,718	-	824,718	47,755
Total Bonds and Notes Payable	11,177,596	17,408,718	(1,013,128)	27,573,186	1,520,852
Compensated absences	84,292	15,556	-	99,848	27,763
Net pension liability	678,677	30,498	-	709,175	-
Postemployment Benefits	294,170	-	(30,979)	263,191	-
 Total business-type activities long-term liabilities	 <u>\$ 12,234,735</u>	 <u>\$ 17,454,772</u>	 <u>\$ (1,044,107)</u>	 <u>\$ 28,645,400</u>	 <u>\$ 1,548,615</u>

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**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, 2016:

<u>Agency</u>	<u>Total Long- Term Debt Outstanding</u>	<u>Town's Estimated Share</u>	<u>Town's Indirect Debt</u>
Norfolk County	\$ 11,830,000	2.28%	\$ 269,724
Southeastern Regional Vocational Technical High School	<u>5,215,000</u>	<u>1.80%</u>	<u>93,870</u>
Norfolk County	<u>\$ 17,045,000</u>		<u>\$ 363,594</u>

**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, 2016, the total amount of conduit debt outstanding was \$36,325,000.

**Advance and Current Year Refunding**

On December 3, 2015, the Town issued general obligation refunding bonds in the amount of \$7,535,000 with an interest rate of 3.00% advance refund \$2,154,000 of general obligation bonds dated 8/15/06 with interest rates ranging from 4.00% to 4.50% and currently refund \$5,381,000 of general obligation bonds dated 6/15/05 with interest rates ranging from 3.00% to 4.00%. The advance refunded bonds mature on August 15, 2026 and are callable on August 15, 2016. The current refunded bonds mature on June 15, 2025. The general obligation refunding bonds were issued at a net interest cost of 1.41% and, after receiving a bond premium of \$534,056 and paying issuance costs of \$104,820, making a net additional payment of \$943,487, the net proceeds were \$8,907,723. The net proceeds from the issuance of the general obligation refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the advance refunded bonds are called on August 15, 2016. The refunding resulted in a net present value benefit of \$858,653 in future debt service costs. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the Town's financial statements.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town has classified its governmental fund balances with the following hierarchy.

Fund Balances

Nonspendable:

Permanent Fund Principal	\$ -	\$ -	\$ -	\$ 172,565	\$ 172,565
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Restricted For:

General Government	-	-	-	106,742	106,742
Public Safety	-	-	-	387,777	387,777
Education	-	-	-	1,724,506	1,724,506
Public Works	-	-	-	59,490	59,490
Human Services	-	-	-	347,475	347,475
Culture & Recreation	-	-	-	674,384	674,384
Employee Benefits	-	-	-	721,395	721,395
Debt Service	855,181	-	-	-	855,181
Major Town Hall Project	-	6,043,637	-	-	6,043,637
Major EMS Fund	-	-	2,236,403	-	2,236,403
Expendable Trust Funds	-	-	-	184,464	184,464
	<u>855,181</u>	<u>6,043,637</u>	<u>2,236,403</u>	<u>4,206,233</u>	<u>13,341,454</u>

Committed To:

Continuing Appropriations					
General Government	487,255	-	-	-	487,255
Public Safety	9,414	-	-	-	9,414
Education	149,233	-	-	-	149,233
Public Works	16,411	-	-	-	16,411
Culture & Recreation	142,529	-	-	-	142,529
	<u>804,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>804,842</u>

Assigned To:

Encumbered For:					
General Government	155,889	-	-	-	155,889
Public Safety	87,696	-	-	-	87,696
Education	379,141	-	-	-	379,141
Public Works	19,567	-	-	-	19,567
Human Services	12,593	-	-	-	12,593
Culture & Recreation	8,490	-	-	-	8,490
Employee Benefits	16,480	-	-	-	16,480
Subsequent Years Expenditures	3,787,243	-	-	-	3,787,243
Capital Stabilization Fund	552,134	-	-	-	552,134
	<u>5,019,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,019,233</u>

Unassigned

General Fund	7,588,334	-	-	-	7,588,334
General Fund Stabilization	3,082,277	-	-	-	3,082,277
Nonmajor Governmental Funds	-	-	-	(68,542)	(68,542)
Capital Projects					
General Government	-	-	-	(139,944)	(139,944)
Public Works	-	-	-	(3,465)	(3,465)
	<u>10,670,611</u>	<u>-</u>	<u>-</u>	<u>(211,951)</u>	<u>10,458,660</u>

Total Governmental Fund Balances	<u>\$ 17,349,867</u>	<u>\$ 6,043,637</u>	<u>\$ 2,236,403</u>	<u>\$ 4,166,847</u>	<u>\$ 29,796,754</u>
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**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 10 – STABILIZATION FUNDS**

The Town has established two funds where the Town has set aside amounts for emergency and capital needs. These funds consist of the following;

- *The Stabilization Fund* is used to account for any appropriation, as approved by a 2/3 vote at the annual or special town meeting for additions or reductions to the fund. Any interest shall be added to and become part of the fund. The Stabilization fund balance is \$3,082,277 as of June 30, 2016. The fund was established under chapter 40, sub-section 5B of the Massachusetts General Law.
- *The Capital Improvements Stabilization Fund* is used to account for appropriations funding the acquisition, repair, replacement, extension, reconstruction, enlarging and/or additions to capital equipment, vehicles, and apparatus of the Town and pay notes, bonds, or certificates of indebtedness issued to pay for the cost of such acquisition, repair, replacement, extension, reconstruction, enlarging and additions. The Capital Improvements Stabilization fund balance is \$552,134 as of June 30, 2016. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established under Chapter 40 sub-section 5B of MGL.

**NOTE 11 – 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 \$2,500 per incident. Buildings are insured against flood and earthquake damage, to the extent that losses exceed \$25,000 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 2016.

The Town has several contributory health care options. There are 729 employees and retirees who participate in the Town's health care programs. 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 and 50 % of the costs for retirees not eligible for medicare.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 12. 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 Postemployment 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 2016, the estimated total Town premiums plus implicit costs for the retiree medical program are \$2,017,233.

**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 GASB Statement 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 Required Contribution (ARC)	\$	4,043,294
Interest on Net OPEB Obligation		1,007,230
ARC Adjustment		(1,083,699)
Amortization of Actuarial (Gains)/Losses		<u>(2,117,091)</u>
Annual OPEB Cost (expense)		1,849,734
Contributions made		<u>(2,017,233)</u>
Decrease in net OPEB obligation		(167,499)
Net OPEB Obligation - beginning of year		<u>14,389,002</u>
Net OPEB Obligation - end of year	\$	<u><u>14,221,503</u></u>

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the seven preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Increase/Decrease in Net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 5,095,788	21.31%	\$ 4,009,801	\$ 4,009,801
6/30/2010	\$ 5,393,311	47.09%	\$ 2,853,492	\$ 6,863,293
6/30/2011	\$ 4,655,786	40.65%	\$ 2,763,011	\$ 9,626,304
6/30/2012	\$ 4,964,542	33.08%	\$ 3,322,449	\$ 12,948,753
6/30/2013	\$ 2,494,174	68.98%	\$ 773,766	\$ 13,722,519
6/30/2014	\$ 2,680,368	70.58%	\$ 788,446	\$ 14,510,965
6/30/2015	\$ 1,680,961	107.26%	\$ (121,963)	\$ 14,389,002
6/30/2016	\$ 1,849,734	109.06%	\$ (167,499)	\$ 14,221,503

*Funded Status and Funding Progress.* As of June 30, 2015, the most recent actuarial valuation date, the plan was 8.35% funded. The actuarial accrued liability for benefits was \$27.252 million, and the actuarial value of assets was \$4.620 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$22.632 million. The covered payroll (annual payroll of active employees covered by the plan) was \$36.589 million, and the ratio of the UAAL to the covered payroll was 62%.

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.

*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, 2015, 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 ratio of past service to total service. The actuarial assumptions included a 7.00% 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 5.00% percent through 2020. 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, 2016, was 22 years.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
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**NOTE 13 – PENSION PLANS**

*A. Plan Descriptions*

The Town is a member of the Norfolk County Contributory Retirement System (The System), a multiple-employer, cost sharing contributory defined benefit pension plan covering eligible employees of the 41 member units deemed eligible by the system. Chapter 32 of the Massachusetts General Law assigns authority to establish and amend benefit provisions of the system. 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 issues a publically available audited financial report that may be obtained by contacting the system's executive director at 480 Neponset Street, Building #15, Canton, Massachusetts 02021. The report can also be obtained online at [www.norfolkcountyretirement.org](http://www.norfolkcountyretirement.org). The MTRS issues a publically available audited financial report that may be obtained by contacting MTRS at One Charles Park, Cambridge, Massachusetts 02142-1206.

**B. Benefits Provided**

The System and MTRS provide retirement, disability and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service. There are three classes of membership in the retirement system: group 1, group 2, and group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consist of positions that have even been specified as hazardous. Lastly, group 4 consist of police officers, firefighters, and other hazardous positions.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service if hired after 1978 and if classified in groups 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service in group 1, 50 years of age with 10 years of service if in group 2 and 55 years of age if hired prior to 1978 or if classified in group 4. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).



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Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not disability is work related, the employee's age, years of creditable service, level of compensation, veterans' status and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, with at least ten years of creditable service, such employees are entitled to receive one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of living adjustments granted through June 30, 1998, and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited in to the pension fund. Cost-of-living adjustments granted subsequent to June 30, 1998 must be approved by the system and all costs are borne by the system.

### **C. Contributions**

#### *Norfolk County Contributory Retirement System*

Chapter 32 of MGL governs the contributions of plan members and member employees. Active plan members are required to contribute to the system at rates ranging from 5 to 9% of their gross compensation. Members joining the system after January 1, 1979 must contribute an additional 2.0% on regular compensation earnings at a rate in excess of \$30,000. The rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the system, a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution for the year ended June 30, 2016 which was \$3,318,800 and 19.50% of covered payroll, actuarially determined as an amount that when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

#### **Massachusetts Teachers' Retirement System**

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). Plan members (at varying rates of annual covered compensation) and the Commonwealth of Massachusetts fund contributes to the MTRS. The Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth of Massachusetts, and thus the Town is not required to contribute. The Commonwealth of Massachusetts contributed "on-behalf" payments to the MTRS totaling \$5,453,241 for fiscal year 2016. In accordance with GASB Statement No. 68, these on-behalf" payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**D. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

*Pension Liabilities*

At June 30, 2016 the Town reported a liability of \$34,763,508 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, updated procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2015, the Town's proportion was 6.40% which was no increase from its proportion measured as of December 31, 2014.

*Pension Expense and Deferred Outflows/Inflows of Resources*

For the year ended June 30, 2016 the Town recognized pension expense of \$3,767,536. At June 30, 2016 the Town reported deferred outflows/inflows of resources related to pensions of \$1,218,868 from the net difference between projected and actual investment earnings on pension plan investments. Since the system performs an actuarial valuation bi-annually, there are no reported differences between expected and actual experience or changes of assumptions as of December 31, 2015.

The deferred outflows/inflows of resources related to pensions will be recognized in future pension expense are as follows:

Year ended June 30	Amount
2017	\$ 332,873
2018	332,873
2019	332,873
2020	220,249
Totals	\$ 1,218,868

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
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**E. Actuarial assumptions**

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2015.

Valuation date	January 1, 2016
Actuarial cost method	Entry age normal cost method
Amortization method	Open-level percent of payroll.
Cost of Living Increase	3.0% of first \$15,000 of retirement income
Asset valuation method	market value
Inflation rate	4.0%
Projected Salary increases	3.5% - 5.5%
Mortality rates	The RP-2014 blue collar mortality table adjusted with scale MP-2014.
Investment rate of return	8.0%

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
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**F. Long-term expected rate of return**

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	32.0%	9.40%
International Equities	17.5%	9.70%
Fixed Income	19.0%	3.40%
Private Equity	8.5%	13.60%
Real Estate	9.0%	7.70%
Real Assets	5.0%	7.90%
Hedge Funds	9.0%	7.90%
Total	<u>100%</u>	

For the year ended December 31, 2015 the System's annual money-weighted rate of return on pension plan investments net of pension plan investment expense was -0.75%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

**G. Discount Rate**

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that member employer contributions will be made at contractually required rates actuarially determined. Under Chapter 32 of Massachusetts General Laws, employers are required to make the necessary contributions such that the plan reaches full funding status by 2040. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
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**H. Sensitivity of the net pension liability to changes on the discount rate**

The following presents the net pension liability of the system as of December 31, 2015, calculated using the discount rate of 8.00%, as well as what the system's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
The Town's proportionate share of the net pension liability	\$ 43,597,827	\$ 34,763,508	\$ 27,223,044

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

**NOTE 14 – 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, 2016, 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 (13 years remaining), and the estimated liability has been recorded in the Statement of Net Position, Governmental Activities. The \$481,000 reported as landfill post-closure liability at June 30, 2016 is based on what it would cost to perform all post-closure care costs at June 30, 2016. 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, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2016, the following GASB pronouncements were implemented:

The GASB issued **Statement #72**, *Fair Value Measurement and Application*, which is required to be implemented in 2016. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #76**, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in 2016. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #79**, *Tax Abatement Disclosures* which is required to be implemented in 2015. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

*Future GASB Pronouncements:*

The GASB issued **Statement #73**, *Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. The provisions of this Statement are effective for 2016 – except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statements 68, which are effective for 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #74**, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #75**, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018. Management's current assessment is that this pronouncement will have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #77**, *Tax Abatement Disclosures* which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #78**, *Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #80**, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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The GASB issued **Statement #81**, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #82**, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
NORFOLK COUNTY CONTRIBUTORY RETIREMENT SYSTEM  
JUNE 30, 2016**

**The following schedules are presented in accordance with GASB Statement No. 27:**

**Schedules 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]
1/1/2016	\$ 814,225,634	\$ 1,310,561,438	\$ 496,335,804	62.1%	\$267,454,300	185.6%
1/1/2014	696,682,779	1,247,596,772	550,913,993	55.8%	229,095,409	240.5%
1/1/2012	608,235,096	1,128,960,288	520,725,192	53.9%	229,095,409	227.3%
1/1/2010	600,790,835	1,001,881,055	401,090,220	60.0%	223,332,595	179.6%
1/1/2008	596,157,147	907,719,124	311,561,977	65.7%	223,814,977	139.2%
1/1/2007	533,077,948	855,677,413	322,599,465	62.3%	219,620,865	146.9%
1/1/2005	467,186,566	762,900,650	295,714,084	61.2%	196,639,163	150.4%
1/1/2003	415,150,776	675,275,257	260,124,481	61.5%	185,281,985	140.4%
1/1/2000	371,646,793	533,959,970	162,313,177	69.6%	163,542,978	99.2%
1/1/1997	258,771,070	392,463,080	133,692,010	65.9%	126,219,194	105.9%
1/1/1993	151,546,609	291,472,940	139,926,331	52.0%	107,482,975	130.2%



**TOWN OF FOXBOROUGH, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
NORFOLK COUNTY CONTRIBUTORY RETIREMENT SYSTEM  
JUNE 30, 2016**

**Schedule of Employer Contributions**

Fiscal Year Ended June 30	System Wide			Town of Foxborough	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2016	\$ 63,893,139	\$ 63,893,139	100%	\$ 3,318,800	5.19%
2015	48,385,549	48,383,549	100%	3,028,356	6.26%
2014	42,461,369	42,461,369	100%	2,595,996	6.11%
2013	44,800,000	44,800,000	100%	2,492,582	5.56%
2012	42,714,639	42,714,639	100%	2,375,116	5.56%
2011	41,206,587	41,206,587	100%	2,201,277	5.34%
2010	39,749,857	39,749,857	100%	2,121,371	5.34%
2009	38,920,499	38,920,499	100%	1,895,766	4.87%
2008	33,104,903	33,104,903	100%	1,630,866	4.93%
2007	32,877,890	32,877,890	100%	1,594,152	4.85%
2006	31,755,708	31,755,708	100%	1,508,491	4.75%
2005	28,238,996	28,238,996	100%	1,250,361	4.43%

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 NORFOLK COUNTY CONTRIBUTORY RETIREMENT SYSTEM  
 JUNE 30, 2016**

**The following schedules are presented in accordance with GASB Statement No. 68**

**Schedule of the Town's Proportionate Share of the Net Pension Liability**

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Town's proportion of the net pension liability	6.40%	6.41%
Town's proportionate share of the net pension liability	\$ 34,763,508	\$ 33,268,513
Town's covered-employee payroll	\$ 17,018,788	\$ 15,653,875
Town's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	204.27%	212.53%
Plan fiduciary net position as a percentage of the total pension liability	58.60%	60.10%

**Note:** This schedule is intended to present information for 10 years. Until a 10 year trend is compiled by the (System), information is presented for those years for which the information is available.

See notes to Required Supplementary Information

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
NORFOLK COUNTY CONTRIBUTORY RETIREMENT SYSTEM  
JUNE 30, 2016**

**SCHEDULE OF TOWN'S CONTRIBUTION**

	<u>December 31 ,2015</u>		<u>December 31 ,2014</u>
Actuarily determined contribution	\$ 3,318,800		\$ 3,028,356
Contribution in relation to the actuarilly determined contribution	<u>(3,318,800)</u>		<u>(3,028,356)</u>
Contribution deficiency (excess)	<u>\$ -</u>		<u>\$ -</u>
Town's covered-employee payroll	\$ 17,018,788	0	\$ 15,653,875
Contribution as a percentage of covered - employee payroll	19.50%		19.35%

**Note:** This Town schedule is intended to present information for 10 years. Until a 10 year trend is compiled by the (System), information is presented for those years for which the information is available.

See notes to Required Supplementary Information

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM  
 JUNE 30, 2016**

**SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION  
 LIABILITY  
 Teacher's Pension Plan**

	<b>2016</b>	<b>2015</b>
Towns' proportion of the net pension liability (asset)	0%	0%
Commonwealth's proportion of the net pension liability (assets)	100%	100%
Commonwealth's proportionate share of the net pension liability associated with the district	\$ 67,233,573	\$ 51,262,819
Employer pension expense and revenue for Commonwealth support	\$ 5,453,241	\$ 3,561,474

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS  
JUNE 30, 2016**

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

**Schedules 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	0.00%	\$ 29,236,861	212.7%
6/30/2011	\$ 1,874,546	\$ 54,227,260	\$ 52,352,714	3.46%	\$ 30,785,506	170.1%
6/30/2013	\$ 2,816,337	\$ 33,731,851	\$ 30,915,514	8.35%	\$ 34,778,502	88.9%
6/30/2015	\$ 4,620,298	\$ 27,252,386	\$ 22,632,088	16.95%	\$ 36,588,631	62.0%

**Schedule of Employer Contributions:**

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Increase in OPEB Obligation	Net OPEB Obligation
2009	\$ 5,095,788	21.31%	\$ 4,009,801	\$ 4,009,801
2010	\$ 5,393,311	47.09%	\$ 6,863,293	\$ 6,863,293
2011	\$ 4,655,786	40.65%	\$ 2,763,011	\$ 9,626,304
2012	\$ 4,964,542	33.08%	\$ 3,322,449	\$ 12,948,753
2013	\$ 2,494,174	68.98%	\$ 773,766	\$ 13,722,519
2014	\$ 2,680,368	70.58%	\$ 788,446	\$ 14,510,965
2015	\$ 1,680,961	107.26%	\$ (121,963)	\$ 14,389,002
2016	\$ 1,849,734	109.06%	\$ (167,499)	\$ 14,221,503

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, 2015
Discount Rate	7.00%
Medical Trend	5.0 %
Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level dollar amount over 30 years at transition
Remaining Amortization Period	22

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS  
JUNE 30, 2016**

Mortality	RP-2000 Table for males
	RP-2000 Table for females

Participation	80% of future retirees are assumed to participate in the retiree medical plan.
	80% of future retirees are expected to elect life insurance.

Medical Plan Participants:

Current retirees, beneficiaries, and dependants	332
Current active members/participants	<u>606</u>
Total	<u><u>938</u></u>

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
NORFOLK COUNTY CONTRIBUTORY RETIREMENT SYSTEM  
JUNE 30, 2016**

**Pension Plan Schedules**

**A. Schedule of the Town's Proportionate Share of the Net Pension Liability**

The Schedule of Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability; the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

**B. Schedule of Town's Contribution**

Governmental employees are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1, and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based in covered payroll.