

TOWN OF FOXBOROUGH, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2012

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TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 – 2
Management's Discussion and Analysis	3 – 12
Basic Financial Statements	
Statement of Net Assets	13
Statement of Activities	14 – 15
Governmental Funds – Balance Sheet	16
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	20
Proprietary Funds – Statement of Net Assets	21
Proprietary Funds – Statement of Revenues, Expenses, and Changes in Fund Net Assets	22
Proprietary Funds – Statement of Cash Flows	23
Fiduciary Funds – Statement of Fiduciary Net Assets	24
Fiduciary Funds – Statement of Changes in Fiduciary Net Assets	25
Notes to Basic Financial Statements	26 – 57
Required Supplementary Information:	
Other Post Employment Benefits – Schedules of Funding Progress and Employer Contributions	58– 59

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Foxborough, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Foxborough, Massachusetts as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Foxborough, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Foxborough, Massachusetts, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2013, on our consideration of the Town of Foxborough, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages **3** through **12**, and other post employment benefits information: schedules of funding progress and employer contributions on pages **58** through **59** are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

R. E. Brown & Company

June 17, 2013

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, 2012. 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 \$73.75 million (net assets). Of this amount, \$5.1 million, or 7%, is considered unrestricted (unrestricted net assets).
- The unrestricted net assets of the Town's governmental activities are -\$1.3 million, primarily as a result of the phase-in of the postemployment benefits, or OPEB, liability. The unrestricted net assets of the Town's business-type activities are \$6.4 million and may be used to meet the ongoing obligations of the Town's water, sewer, and sanitation business-type activities.
- The government's total net assets increased by \$4.5 million, or 6.5%, in fiscal 2012. Within this total, net assets of governmental activities increased by \$3.04 million, a 5.3% increase from fiscal 2011. Also, net assets of business-type activities increased by \$1.49 million or 12.4%, from 2011.
- At June 30, 2012, the Town's governmental funds had a combined ending fund balance of \$25.01 million. The combined governmental funds balance increased by \$6.4 million, or 34.1%, from the prior year's ending fund balance. A total of \$6.94 million, or 27.8% of the \$25.01 million fund balance is considered unassigned at June 30, 2012.
- The Town's general fund reported a fund balance of \$12.2 million at the end of fiscal 2012. The unassigned fund balance for the general fund was \$7.4 million, or 13.6%, of total FY '12 general fund budgetary expenditures. This represents a \$2.14 million increase in total general fund balance for the year. A total of \$2.22 million of the unassigned fund balance was designated for funding the fiscal year 2013 budget.
- The total cost of all Town services on a full accrual basis for fiscal 2012 was \$72.46 million, \$67.71 million of which was for governmental services, and \$4.75 million of which was for business-type activities, an overall 0.51% increase compared to fiscal 2011.
- The Town's total bonded debt increased by a net of \$10.24 million or 29.6% during the year. \$2.65 million was amortized via scheduled principal redemptions. New debt in FY '12 totaling \$12.895 million was added for the Library renovation, \$7.095 million, and a new water treatment plant, \$5.8 million.

Overview of the Financial Statements

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

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

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

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

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

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

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

Governmental Funds – governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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

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

Private purpose trust funds, 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 Fund”, respectively.

The GASB recently 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 will be 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 \$73.75 million at the close of fiscal year 2012. The Town is able to report positive balances in net assets for both the government as a whole, and for each of its governmental and business-type activities in total, respectively.

A key component of the Town's net assets are its *unrestricted net assets* totaling \$5.14 million, or 7%, of net assets, which may be used to meet the government's ongoing obligations to its citizens and creditors.

The Town's investment in capital assets (e.g., land, roads, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets, is \$62.07 million, or 84.2%, of net assets. The Town uses these capital assets to provide services to citizens; consequently, these assets **are not** available for future spending. Although the investment in the Town's capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets of Governmental activities increased by \$3.04 million, a 5.3% increase from fiscal 2011. Net assets of business-type activities increased by \$1.49 million or 12.3%, from 2011. Total Town net assets increased by \$4.5 million, or 6.5%.

The increase in Governmental activities net assets is attributable primarily to the net addition of \$8.43 million in capital assets, less \$3.13 million of net new depreciation, plus the \$1.89 million amortization of related debt, and less \$2.44 million of bond proceeds expended on major capital assets, yielding a \$4.75 million increase to Capital Assets Net of Related Debt. Also, a \$3.25 million increase to the Net Other Post Employment Benefits (OPEB) Obligation liability was recorded for FY 2012, reflecting the latest accrual update for this actuarial liability. Restricted Assets increased primarily due to \$770.6 received in net Bond Premium to be used for future interest payments. Accounts Payable declined \$541 thousand. The balance of the change in net assets, a \$228 thousand net increase, is associated with several other minor net changes in assets and liabilities.

Net assets of business-type activities increased by \$1.49 million as a result of the following: operating revenue exceeded expenses and depreciation by \$2.25 million; \$78.9 thousand was received via intergovernmental grants; \$15.3 thousand was earned in interest; interest expense was \$236.95 thousand; and transfers out for costs incurred in general fund were \$655.5 thousand.

There was an increase of \$1.45 million, or 14.8%, in net assets reported in connection with the water business-type activities. There was an increase of \$116.4 thousand, or 6.3%, and an \$85.2 thousand decrease, or 22.1%, in net assets in connection with the sewer and sanitation business-type activities, respectively.

An additional portion of the Governmental activities total net assets totaling \$6.55 million, or 10.9%, represents resources that are subject to external restrictions on how they may be used.

TOWN of FOXBOROUGH - FINANCIAL HIGHLIGHTS

	Governmental			Business-type			Total		
	Activities			Activities			Primary Government		
	FY 2012	FY 2011	Increase (Decrease)	FY 2012	FY 2011	Increase (Decrease)	FY 2012	FY 2011	Increase (Decrease)
Assets:									
Current Assets	\$31,888,614	\$25,938,060	\$ 5,950,554	\$13,772,069	\$ 7,156,539	\$ 6,615,530	\$45,660,683	\$33,094,599	12,566,084
Noncurrent Assets (excluding capital)	-	-	-	-	-	-	-	-	-
Capital Assets	78,336,167	73,034,901	5,301,266	14,638,001	14,371,169	266,832	92,974,168	87,406,070	5,568,098
Total Assets	110,224,781	98,972,961	11,251,820	28,410,070	21,527,708	6,882,362	138,634,851	120,500,669	18,134,182
Liabilities:									
Current Liabilities (excluding debt)	4,508,893	4,842,031	(333,138)	486,585	322,769	163,816	4,995,478	5,164,800	(169,322)
Noncurrent Liabilities (excluding debt)	13,939,965	10,648,457	3,291,508	478,602	282,041	196,561	14,418,567	10,930,498	3,488,069
Current Debt	2,739,386	2,336,206	403,180	917,850	622,429	295,421	3,657,236	2,958,635	698,601
Noncurrent Debt	28,800,902	23,950,502	4,850,400	13,008,840	8,268,190	4,740,650	41,809,742	32,218,692	9,591,050
Total Liabilities	49,989,146	41,777,196	8,211,950	14,891,877	9,495,429	5,396,448	64,881,023	51,272,625	13,608,398
Net Assets:									
Capital Assets Net of Related Debt	54,989,640	50,236,610	4,753,030	7,079,598	4,942,857	2,136,741	62,069,238	55,179,467	6,889,771
Restricted	6,547,928	5,725,631	822,297	-	-	-	6,547,928	5,725,631	822,297
Unrestricted	(1,301,933)	1,233,524	(2,535,457)	6,438,595	7,089,422	(650,827)	5,136,662	8,322,946	(3,186,284)
Total Net Assets	\$60,235,635	\$57,195,765	\$ 3,039,870	\$13,518,193	\$12,032,279	\$ 1,485,914	\$73,753,828	\$69,228,044	4,525,784
Revenues									
<i>Program Revenues:</i>									
Charges for Services	\$ 4,932,538	\$ 6,032,202	\$(1,099,664)	\$ 6,315,799	\$ 6,437,198	\$(121,399)	\$11,248,337	\$12,469,400	\$(1,221,063)
Operating Grants and Contributions	16,902,446	16,843,453	58,993	456,010	156,126	299,884	17,358,456	16,999,579	358,877
Capital Grants and Contributions	3,535,036	6,385,219	(2,850,183)	78,892	80,431	(1,539)	3,613,928	6,465,650	(2,851,722)
<i>General Revenues:</i>									
Real Estate and Personal Property Taxes	35,763,787	33,614,169	2,149,618	-	-	-	35,763,787	33,614,169	2,149,618
Tax Liens	228,819	108,090	120,729	-	-	-	228,819	108,090	120,729
Motor Vehicle and Other Excise Taxes	2,184,691	2,168,861	15,830	-	-	-	2,184,691	2,168,861	15,830
Payments in lieu of taxes	2,037,736	2,375,260	(337,524)	-	-	-	2,037,736	2,375,260	(337,524)
Hotel/Motel Tax	1,690,154	938,782	751,372	-	-	-	1,690,154	938,782	751,372
Penalties and Interest on Taxes	182,137	280,778	(98,641)	-	-	-	182,137	280,778	(98,641)
Nonrestricted Grants and Contributions	1,663,591	1,453,615	209,976	-	-	-	1,663,591	1,453,615	209,976
Unrestricted Investment Income	65,321	97,919	(32,598)	-	-	-	65,321	97,919	(32,598)
Bond Premium, net of expenses	770,570	-	770,570	-	-	-	770,570	-	770,570
Other Revenues	174,259	77,791	96,468	-	-	-	174,259	77,791	96,468
Total Revenues	70,131,085	70,376,139	(245,054)	6,850,701	6,673,755	176,946	76,981,786	77,049,894	(68,108)
Expenses:									
General Government	2,025,451	1,941,925	83,526	-	-	-	2,025,451	1,941,925	83,526
Public Safety	7,614,912	7,466,800	148,112	-	-	-	7,614,912	7,466,800	148,112
Education	34,643,423	34,068,864	574,559	-	-	-	34,643,423	34,068,864	574,559
Public Works	2,555,249	2,636,367	(81,118)	-	-	-	2,555,249	2,636,367	(81,118)
Human Services	940,979	883,095	57,884	-	-	-	940,979	883,095	57,884
Culture and Recreation	1,287,292	1,294,853	(7,561)	-	-	-	1,287,292	1,294,853	(7,561)
Employee Benefits	17,405,611	17,932,041	(526,430)	-	-	-	17,405,611	17,932,041	(526,430)
State and County Assessments	308,499	305,786	2,713	-	-	-	308,499	305,786	2,713
Interest	929,274	1,032,302	(103,028)	-	-	-	929,274	1,032,302	(103,028)
Water	-	-	-	2,741,246	2,599,429	141,817	2,741,246	2,599,429	141,817
Sewer	-	-	-	1,065,556	992,375	73,181	1,065,556	992,375	73,181
Sanitation	-	-	-	938,510	933,350	5,160	938,510	933,350	5,160
Total Expenses	67,710,690	67,562,033	148,657	4,745,312	4,525,154	220,158	72,456,002	72,087,187	368,815
Transfers	619,475	623,402	(3,927)	(619,475)	(623,402)	3,927	-	-	-
Change in Net Assets	3,039,870	3,437,508	(397,638)	1,485,914	1,525,199	(39,285)	4,525,784	4,962,707	(436,923)
Net Assets - Beginning	57,195,765	53,758,257	3,437,508	12,032,279	10,507,080	1,525,199	69,228,044	64,265,337	4,962,707
Net Assets - Ending	\$60,235,635	\$57,195,765	\$ 3,039,870	\$13,518,193	\$12,032,279	\$ 1,485,914	\$73,753,828	\$69,228,044	\$ 4,525,784

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 2012, governmental funds reported combined ending fund balances of \$25.01 million, a \$6.365 million increase from the prior year's ending fund balance. The net change reflects a Governmental fund balance increase due to general fund expenditures being \$2.14 million less than combined general fund revenues and operating transfers in and out. Also, \$5.63 million was expended in association with the substantial completion of the High School renovation and the Library renovation and expansion projects. \$7.095 million in bond proceeds were received for the Library project along with \$405 thousand in a cash contribution from the General Fund. In addition, \$2.5 million in state grants were received for these capital projects. Finally, a net of \$138.4 thousand was expended or transferred in and out in excess of revenues across several non-major governmental fund accounts.

The General fund is the primary operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7.4 million, while total fund balance stood at \$12.16 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 13.6% of total general fund budgetary expenditures, while total fund balance represents 22.3% of that same amount.

General fund budgetary revenues increased by 4.44% or \$2.3 million in FY 2012, due primarily to growth in property taxes associated with voted debt exclusions and allowable annual increases as per proposition 2 ½ (\$2.12 million). Conversely, general fund budgetary expenditures decreased by 0.6% or \$354 thousand driven primarily by decreases in employee benefits costs (\$704 thousand), public works costs (\$176 thousand), and debt service (\$355 thousand), along with a year-over-year spending increases in education (\$577 thousand) and public safety (\$254 thousand), and a net \$50 thousand in increases in all other departments. After accounting for other financing sources and uses, the budgetary fund balance of the general fund increased by \$511 thousand to \$7.0 million. This result is 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 Library Renovation Fund balance increased by a net of \$5.7 million to end FY '12 at \$6.1 million. The FY '12 balance reflects the receipt \$7.095 million in bond proceeds, a \$405 thousand transfer from the General Fund, \$1.04 million in continuing State grant project cost reimbursements, plus the opening fund balance of \$392.7 thousand less \$2.83 million expended in FY '12 capital project costs.

The High School Renovation Fund balance decreased by a net of \$1.34 million to end FY '12 at \$1.6 million. The FY '12 balance reflects the receipt of \$1.46 million in continuing Massachusetts School Building Authority project cost reimbursements, plus the opening fund balance of \$2.94 million less \$2.79 million expended in FY '12 capital project costs.

The Stabilization funds, which are now included within the General Fund as per GASB 54, has accumulated balances of \$3.42 million, which represents 6.28% of FY 2012 general fund budgetary expenditures. \$2.87 million of these funds is considered "Unassigned" and \$548 thousand is considered "Committed". However, all of these funds can be used for general or capital purposes upon Town Meeting approval.

All other Non-Major Governmental Fund balances decreased in total by \$138 thousand to \$5.15 million as a result of \$7.63 million received in revenues less \$6.97 million in expenditures and a net of \$800 thousand in transfers out. The gross transfer amount was the normal funding of operating and capital expenses in the general fund from the ambulance receipts account.

General Fund Budget Highlights

Actual FY 2012 general fund revenues exceeded budgeted revenues by \$2.38 million, primarily driven by conservatively estimated local receipts and despite slightly less than 100% property tax collection performance (\$185.8 thousand less than budget) and investment income finishing \$71.2 thousand less than plan due to a continued trend of falling interest rates. General fund expenses were \$950 thousand less than budget in total due to management's continued focus on living within the means of the municipality's revenues as well as the planned use of \$551 thousand in a Federal education grant to offset the FY '12 General Fund appropriations. This is net of a legal snow & ice removal deficit of \$95.6 thousand. Despite the extra winter expense, management's continued, and well practiced, disciplined approach to spending sustains the Town's service levels in a challenging economic environment. Operating transfers in were slightly ahead of plan by \$65 thousand, at \$1.62 million. The net result was an increase to FY 2012 budgetary fund balance of \$511 thousand.

Capital Asset and Debt Administration

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

The Town's ownership of, or investment in, capital assets for governmental and business type activities, as summarized below, as of June 30, 2012, amounts to \$92.97 million, net of accumulated depreciation. The value in capital assets includes land, buildings, machinery, equipment, software, vehicles, construction in progress, water, sewer, and roadway infrastructure.

The governmental activities capital assets were increased by \$8.6 million and reduced by \$168.8 thousand in asset retirements and a net of \$3.13 million in depreciation during fiscal 2012, for a net \$5.3 million increase. The increases were primarily due to \$2.83 million and \$2.8 million of construction related to the High School and Library renovations, respectively, \$1.56 million of roadway and sidewalk infrastructure projects and street acceptances, \$659.5 thousand in various public safety, highway and school department vehicles net of retirements, \$250 thousand in computer, network and copying equipment, \$148 thousand for solar panels, and a net of \$358 thousand in assorted departmental equipment.

Business-type activities capital assets were increased by \$806 thousand in investments and reduced by \$539 thousand in depreciation for a net increase of \$267 thousand. The increase was primarily due to \$304 thousand of investment in the Water enterprise fund related to the construction of the Oak Street water treatment plant and \$259 thousand for the installation of a major water main. The balance of the asset additions were associated with various Water department related equipment (\$134 thousand) and vehicles (\$109 thousand).

In summary, total increases net of depreciation to town wide capital assets are \$5.6 million.

Capital Assets (Net of Depreciation)									
	Governmental Activities			Business-type Activities			Total Primary Government		
	FY 2012	FY 2011	Increase (Decrease)	FY 2012	FY 2011	Increase (Decrease)	FY 2012	FY 2011	Increase (Decrease)
Land	\$ 6,537,225	\$ 6,461,525	\$ 75,700	\$ 692,282	\$ 692,282	\$ -	\$ 7,229,507	\$ 7,153,807	\$ 75,700
Buildings	50,892,727	49,639,174	1,253,553	-	-	-	50,892,727	49,639,174	1,253,553
Capital Improvements (other than buildings)	153,333	107,068	46,265	-	-	-	153,333	107,068	46,265
Machinery & Equipment	838,492	862,595	(24,104)	736,223	700,391	35,832	1,574,715	1,562,986	11,729
Software	85,744	162,862	(77,118)	-	-	-	85,744	162,862	(77,118)
Vehicles	3,300,629	3,147,882	152,747	160,639	86,912	73,727	3,461,268	3,234,794	226,474
Infrastructure	13,048,042	12,007,996	1,040,046	12,361,876	12,420,568	(58,692)	25,409,918	24,428,564	981,354
Construction in Progress	3,479,975	645,799	2,834,176	686,981	471,016	215,965	4,166,956	1,116,815	3,050,141
Total Capital Assets	\$78,336,167	\$73,034,901	\$ 5,301,266	\$14,638,001	\$14,371,169	\$ 266,832	\$92,974,168	\$87,406,070	\$ 5,568,098

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, 2012, totaled \$44.87 million. 95.4%, or \$29.5 million, of the \$30.9 million in governmental activity debt is excluded from the limits of proposition 2 ½. Business-type activities have debt of \$13.9 million that is fully supported by their respective utility rates. Total debt consists of the following:

Outstanding Debt at Year End

Governmental Activities	Outstanding June 30, 2012	Outstanding June 30, 2011	Increase (Decrease)
School - High School	\$ 9,360,000	\$ 9,880,000	\$ (520,000)
School - Ahern Middle	682,000	800,000	(118,000)
School - Ahern Middle	2,840,000	3,060,000	(220,000)
School Remodeling	84,000	91,000	(7,000)
Public Safety Building	8,679,000	9,323,000	(644,000)
Library Renovation	7,095,000	-	7,095,000
Fire Engines	207,000	276,000	(69,000)
Senior Center	163,800	200,000	(36,200)
Highway Equipment	55,000	75,000	(20,000)
Land Acquisition - Mill St.	908,000	975,000	(67,000)
Landfill Closure	812,700	990,000	(177,300)
Title V	55,502	66,602	(11,100)
Total Governmental Activities	\$ 30,942,002	\$ 25,736,602	\$ 5,205,400
Business-type Activities	Outstanding June 30, 2012	Outstanding June 30, 2011	Increase (Decrease)
Sewer	\$ 154,163	\$ 182,360	\$ (28,197)
Sewer	40,000	45,000	(5,000)
Sewer	570,037	632,909	(62,872)
Sewer	130,000	140,000	(10,000)
Water - Oak St. Treatment Plant	5,800,000	-	5,800,000
Water - Witch Pond Well	3,734,669	3,917,287	(182,618)
Water - Land Acquisition	10,000	20,000	(10,000)
Water - Reuse	1,205,000	1,375,000	(170,000)
Water	1,893,500	2,160,000	(266,500)
Water	363,054	390,271	(27,217)
Water	26,267	27,792	(1,525)
Total Business-type Activities	\$ 13,926,690	\$ 8,890,619	\$ 5,036,071
Grand Total All Long-Term Debt	\$ 44,868,692	\$ 34,627,221	\$ 10,241,471

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 2013 budget and tax rates including the following:

- The Town was able to balance its \$59.38 million general fund operating budget as a result of the combination of continued expansion in new growth property taxes and local receipts, no new major spending or program initiatives and excellent cost containment. The effect of management's continued downward pressure on spending and maximizing new revenue generation, resulted in a \$500 thousand reduced reliance on free cash reserves.
- Another significant factor was the estimated amount of local aid from the state for FY '13, which was a net of \$8.3 million, down \$2.3 million on an inflation adjusted basis in FY '13 from the peak FY '01 levels. The result was essentially flat state aid in FY '13, with a modest \$27 thousand increase. Yet the last of the federal to state pass through aid ended in FY '12, resulting in an additional \$543 thousand in reduced aid the Town was able to successfully absorb in FY '13. The Town's financially engineered "soft landing" from the latest recession has proven to be quite successful over the last four budget cycles.
- The state passed legislation allowing Massachusetts municipalities to pass a Local Option Meals Tax of 0.75% with 100% of the revenue going to the Town. Foxborough enacted this tax on its third attempt, effective for FY 2012. Meals Tax revenue was estimated by the Department of Revenue (DOR) at \$600 thousand for the partial 2012 fiscal year, and over \$750 thousand for a full fiscal year. FY 2012 revenues came in at \$666.8 thousand, beating DOR's estimate by 11.1%. After three quarters of collections, FY 2013 revenues are on track to beat the full year estimate by the same percentage.
- The Board of Selectmen's voted policy is to only use the new Meal Tax revenue stream for non-operating uses such as funding the Town's Other Post Employment Benefits (OPEB) obligations, roadway improvements and possibly other capital projects. In FY '13 the Town committed \$500 thousand of meals tax revenues towards the OPEB liability.
- The \$500 thousand OPEB funding referenced above was in addition to \$700 thousand enabled by this same source to OPEB in FY '11 & FY '12, as well as a \$1.265 million initial down payment the Town voted to fund its OPEB obligation in FY '11 from dormant employee benefits related accounts. Going forward, the Town is committed to continue to fund this obligation annually on an increasing schedule with the new Meals Tax revenue.
- In light of the continued economic downturn nationwide, which has impacted state aid, Town officials have agreed to maintain its healthy Free Cash reserves in order to ensure that services will be maintained throughout this recession and into the recovery. The Town brought \$1.1 million in uncommitted Free Cash reserves into FY '13.
- Also in support of management's policy objectives, \$250 thousand of free cash was added to permanent stabilization reserves in FY '13 and \$405 thousand in free cash was contributed to the Library renovation project in FY '12 to reduce borrowing requirements and save on interest payments.
- The same developer for Patriot Place and owners of Gillette Stadium and the New England Patriots football team in Foxborough, the Kraft Group, has previously proposed a technology office park complex, larger than the Patriot Place project in square footage terms, across the street from Patriot Place. This project is still in the planning stages and, given the current state of the economy, progress is expected to be slow. After gambling was recently legalized in the State of Massachusetts, casino mogul Steve Wynn proposed a \$1 billion resort casino for Foxborough on this same property, but has since decided to suspend efforts to pursue the proposal given the community's reluctance to support it. Nevertheless, Town officials are optimistic about the eventual substantial commercial growth targeted for the Town of Foxborough, as this additional commercial development alone will certainly have a continued positive impact on the Town's financial condition in future years. We are starting to see some movement with new commercial development from the Kraft Group, as a new hotel is now planned for this area of Town. The Kraft Group has also been very active in filling vacancies at the Patriot Place complex with popular restaurant and retail offerings.

- Further, the Town of 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. Also, a long standing internationally renowned manufacturer in Foxborough, Invensys, plc. (formerly the Foxborough Company) has cemented its 105 year commitment to date with the community, by agreeing to invest over \$30 million in existing facilities to make them more attractive to recruit engineering talent in exchange for a relatively modest tax increment financing (TIF) deal with the Town. The TIF agreement only adds to the Town's tax revenues, it does not reduce existing tax revenues. However it also maintains the largest employer in the Town (1,100 jobs), as well one of the most benevolent members of the Foxborough community, thus ensuring continued substantial benefits to the Town and the local economy.
- The Town is in the process of addressing multiple strategic items. After several years of effort and negotiations, Foxborough is on the verge of establishing a regional sewer pact with surrounding towns. This will be a significant positive for the Town on two fronts: 1) It will put significant downward pressure on sewer rates; and 2) It will allow for a significant expansion of central sewer capacities, thus allowing for several new commercial and residential growth opportunities in the Town.
- In light of this development Town leaders are nearing completion of an update to the Town's Master Plan relating to land use. 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.
- Due to modest growth in state aid, Town leadership continued its conservative approach to balancing general fund operating budgets for FY '14 by maintaining a very tight reign on spending. Significant savings in health insurance costs were realized for the Town by renegotiating plan design with all unions. All major union contracts have been settled at a cost the Town can afford and the non-union wage plan has been updated to a merit based system. The Town continued its balanced reliance on "Free Cash" for the operating budget and, as a result, was able to fund its FY '14 general fund capital improvement needs (excluding buildings) exclusively from "Free Cash", other available funds, and current year revenues, avoiding the need to borrow for new (non-building) capital projects in FY '14.
- Six bond issues totaling \$5.39 million were refunded/refinanced in FY '12 at the very favorable rate of 1.354% yielding \$713 thousand in savings over the remaining terms. The savings accrued to the operating budget, excluded debt (direct tax payer savings), and water enterprise debt.
- New debt was issued in FY '12 for both the Library renovation and expansion capital project and the Oak Street water treatment capital project. Total authorized debt was \$14.5 million, however only \$12.895 million needed to be issued due to a favorable construction bidding environment and the use of other cash resources. The Town maintained its AA+ bond rating and received a low bid of 2.91% on the consolidated 20 year offering. The entirety of the new issue is either debt excluded (\$7.095 million) or supported by water rates (\$5.8 million).
- The Board of Selectmen voted during their annual Classification Hearing to split the tax rate for the second consecutive year due to the noticeable disparity in value shifting from commercial to residential that had developed over the past three years.
- The tax rate was set for fiscal 2013 at \$15.13 per thousand for business and \$14.54 for residential, a \$0.27 increase for business and \$0.81 increase for residential. These rates brought the tax levy to the allowable levy limit for the 16th 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.

**TOWN OF FOXBOROUGH, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 27,934,714	\$ 11,458,880	\$ 39,393,594
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	469,042	-	469,042
TAX LIENS	778,658	-	778,658
MOTOR VEHICLE EXCISE TAXES	163,938	-	163,938
USER FEES	-	2,313,189	2,313,189
DEPARTMENTAL AND OTHER	1,499,412	-	1,499,412
INTERGOVERNMENTAL	1,014,739	-	1,014,739
OTHER ASSETS	28,111	-	28,111
NONCURRENT:			
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	78,336,167	14,638,001	92,974,168
TOTAL ASSETS	<u>110,224,781</u>	<u>28,410,070</u>	<u>138,634,851</u>
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	3,590,893	402,136	3,993,029
OTHER LIABILITIES	18,301	-	18,301
ACCRUED INTEREST	172,140	54,184	226,324
DEFERRED AMOUNT ON REFUNDING	12,153	12,864	25,017
LANDFILL POSTCLOSURE CARE COSTS	37,000	-	37,000
COMPENSATED ABSENCES	678,406	17,401	695,807
BONDS AND NOTES PAYABLE	2,739,386	917,850	3,657,236
NONCURRENT:			
DEFERRED AMOUNT ON REFUNDING	91,347	128,636	219,983
LANDFILL POSTCLOSURE CARE COSTS	592,000	-	592,000
COMPENSATED ABSENCES	591,861	65,970	657,831
POSTEMPLOYMENT BENEFITS	12,664,757	283,996	12,948,753
BONDS AND NOTES PAYABLE	28,800,902	13,008,840	41,809,742
TOTAL LIABILITIES	<u>49,989,146</u>	<u>14,891,877</u>	<u>64,881,023</u>
<u>NET ASSETS</u>			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	54,989,640	7,079,598	62,069,238
RESTRICTED FOR:			
STREETS	123,706	-	123,706
PERMANENT FUNDS:			
EXPENDABLE	285,685	-	285,685
NONEXPENDABLE	172,565	-	172,565
OTHER PURPOSES	5,965,972	-	5,965,972
UNRESTRICTED	(1,301,933)	6,438,595	5,136,662
TOTAL NET ASSETS	<u>\$ 60,235,635</u>	<u>\$ 13,518,193</u>	<u>\$ 73,753,828</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2012**

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE</u>	
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>		<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 2,025,451	\$ 475,175	\$ 86,283	\$ -	\$ (1,463,993)
PUBLIC SAFETY	7,614,912	2,036,962	271,653	-	(5,306,297)
EDUCATION	34,643,423	1,610,096	11,201,139	1,457,987	(20,374,201)
PUBLIC WORKS	2,555,249	5,650	14,759	1,038,567	(1,496,273)
HUMAN SERVICES	940,979	570,322	88,188	-	(282,469)
CULTURE & RECREATION	1,287,292	234,333	36,360	1,038,482	21,883
EMPLOYEE BENEFITS	17,405,611	-	5,204,064	-	(12,201,547)
STATE & COUNTY ASSESSMENTS	308,499	-	-	-	(308,499)
INTEREST	929,274	-	-	-	(929,274)
TOTAL GOVERNMENTAL ACTIVITIES	67,710,690	4,932,538	16,902,446	3,535,036	(42,340,670)
BUSINESS-TYPE ACTIVITIES:					
WATER	2,741,246	4,201,000	445,873	20,414	1,926,041
SEWER	1,065,556	1,175,914	8,592	58,478	177,428
SANITATION	938,510	938,885	1,545	-	1,920
TOTAL BUSINESS-TYPE ACTIVITIES	4,745,312	6,315,799	456,010	78,892	2,105,389
TOTAL PRIMARY GOVERNMENT	\$ 72,456,002	\$ 11,248,337	\$ 17,358,456	\$ 3,613,928	\$ (40,235,281)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF FOXBOROUGH, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2012**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET ASSETS:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (42,340,670)	\$ 2,105,389	\$ (40,235,281)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	35,763,787	-	35,763,787
TAX LIENS	228,819	-	228,819
MOTOR VEHICLE AND OTHER EXCISE TAXES	2,184,691	-	2,184,691
HOTEL/MOTEL TAX	1,690,154	-	1,690,154
PENALTIES AND INTEREST ON TAXES	182,137	-	182,137
PAYMENTS IN LIEU OF TAXES	2,037,736	-	2,037,736
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,663,591	-	1,663,591
UNRESTRICTED INVESTMENT INCOME	65,321	-	65,321
BOND PREMIUM, NET OF EXPENSES	770,570	-	770,570
MISCELLANEOUS	174,259	-	174,259
TRANSFERS, NET	619,475	(619,475)	-
TOTAL GENERAL REVENUES AND TRANSFERS	45,380,540	(619,475)	44,761,065
CHANGE IN NET ASSETS	3,039,870	1,485,914	4,525,784
NET ASSETS:			
BEGINNING OF YEAR	57,195,765	12,032,279	69,228,044
END OF YEAR	\$ 60,235,635	\$ 13,518,193	\$ 73,753,828

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF FOXBOROUGH, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012**

<u>ASSETS</u>	<u>GENERAL</u>	<u>LIBRARY RENOVATION</u>	<u>HIGH SCHOOL RENOVATION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
CASH AND SHORT-TERM INVESTMENTS	\$ 14,595,121	\$ 6,674,320	\$ 1,711,471	\$ 4,953,802	\$ 27,934,714
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:					
REAL ESTATE AND PERSONAL PROPERTY TAXES	469,042	-	-	-	469,042
TAX LIENS	778,658	-	-	-	778,658
MOTOR VEHICLE EXCISE TAXES	163,938	-	-	-	163,938
DEPARTMENTAL AND OTHER	224,711	-	-	1,274,701	1,499,412
INTERGOVERNMENTAL	-	-	-	1,014,739	1,014,739
OTHER ASSETS	28,111	-	-	-	28,111
TOTAL ASSETS	\$ 16,259,581	\$ 6,674,320	\$ 1,711,471	\$ 7,243,242	\$ 31,888,614
 <u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
ACCOUNTS PAYABLE	\$ 2,807,049	\$ 577,331	\$ 109,485	\$ 97,028	\$ 3,590,893
OTHER LIABILITIES	18,301	-	-	-	18,301
DEFERRED REVENUES	1,272,599	-	-	1,398,407	2,671,006
NOTES PAYABLE	-	-	-	598,286	598,286
TOTAL LIABILITIES	4,097,949	577,331	109,485	2,093,721	6,878,486
FUND BALANCES:					
NONSPENDABLE	-	-	-	172,565	172,565
RESTRICTED	788,800	6,096,989	1,601,986	5,448,126	13,935,901
COMMITTED	669,060	-	-	-	669,060
ASSIGNED	3,288,311	-	-	-	3,288,311
UNASSIGNED	7,415,461	-	-	(471,170)	6,944,291
TOTAL FUND BALANCES	12,161,632	6,096,989	1,601,986	5,149,521	25,010,128
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,259,581	\$ 6,674,320	\$ 1,711,471	\$ 7,243,242	\$ 31,888,614

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, 2012**

	<u>GENERAL</u>	<u>LIBRARY RENOVATION</u>	<u>HIGH SCHOOL RENOVATION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:					
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 35,956,804	\$ -	\$ -	\$ -	\$ 35,956,804
INTERGOVERNMENTAL	15,129,297	1,038,482	1,457,987	4,313,327	21,939,093
MOTOR VEHICLE EXCISE TAXES	2,225,665	-	-	-	2,225,665
PAYMENTS IN LIEU OF TAXES	2,037,735	-	-	-	2,037,735
PENALTIES AND INTEREST ON TAXES	182,137	-	-	-	182,137
CHARGES FOR SERVICES	-	-	-	3,082,122	3,082,122
INVESTMENT INCOME	65,321	-	-	2,441	67,762
CONTRIBUTIONS & DONATIONS	-	-	-	123,108	123,108
DEPARTMENTAL AND OTHER	3,553,289	-	-	108,595	3,661,884
TOTAL REVENUES	59,150,248	1,038,482	1,457,987	7,629,593	69,276,310
EXPENDITURES:					
CURRENT:					
GENERAL GOVERNMENT	1,928,120	-	-	218,674	2,146,794
PUBLIC SAFETY	7,063,091	-	-	214,633	7,277,724
EDUCATION	29,112,626	-	2,794,312	4,259,400	36,166,338
PUBLIC WORKS	2,122,583	-	-	1,575,925	3,698,508
HUMAN SERVICES	671,720	-	-	253,966	925,686
CULTURE & RECREATION	991,614	2,834,176	-	364,732	4,190,522
EMPLOYEE BENEFITS	13,902,104	-	-	65,930	13,968,034
STATE & COUNTY ASSESSMENTS	308,499	-	-	-	308,499
DEBT SERVICE					
PRINCIPAL	1,775,000	-	-	11,100	1,786,100
INTEREST	930,119	-	-	3,716	933,835
TOTAL EXPENDITURES	58,805,476	2,834,176	2,794,312	6,968,076	71,402,040
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	344,772	(1,795,694)	(1,336,325)	661,517	(2,125,730)
OTHER FINANCING SOURCES (USES)					
PROCEEDS FROM BONDS AND NOTES	-	7,095,000	-	-	7,095,000
PROCEEDS FROM REFUNDING BONDS	5,145,000	-	-	-	5,145,000
PROCEEDS FROM BOND PREMIUM	1,523,554	-	-	-	1,523,554
PAYMENTS TO REFUNDED BOND ESCROW AGENT	(5,644,397)	-	-	-	(5,644,397)
BOND ISSUANCE COSTS	(247,829)	-	-	-	(247,829)
OPERATING TRANSFERS IN	1,619,410	405,000	-	200,000	2,224,410
OPERATING TRANSFERS OUT	(605,000)	-	-	(999,935)	(1,604,935)
TOTAL OTHER FINANCING SOURCES (USES)	1,790,738	7,500,000	-	(799,935)	8,490,803
NET CHANGE IN FUND BALANCES	2,135,510	5,704,306	(1,336,325)	(138,418)	6,365,073
FUND BALANCES AT BEGINNING OF YEAR	10,026,122	392,683	2,938,311	5,287,939	18,645,055
FUND BALANCES AT END OF YEAR	\$ 12,161,632	\$ 6,096,989	\$ 1,601,986	\$ 5,149,521	\$ 25,010,128

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2012**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 25,010,128
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		78,336,167
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		2,671,006
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(172,140)
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	(30,942,002)	
DEFERRED AMOUNT ON REFUNDING	(103,500)	
COMPENSATED ABSENCES	(1,270,267)	
POSTEMPLOYMENT BENEFITS	(12,664,757)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(629,000)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(45,609,526)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 60,235,635</u></u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2012**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 6,365,073**

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	8,434,151	
DEPRECIATION EXPENSE	<u>(3,132,885)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		5,301,266

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

78,447

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	(7,095,000)	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>1,786,100</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		(5,308,900)

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	(186,701)	
NET CHANGE IN POSTEMPLOYMENT BENEFITS ACCRUAL	(3,250,876)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	37,000	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>4,561</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>(3,396,016)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 3,039,870**

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, 2012**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 35,770,966	\$ 35,770,966	\$ 35,956,804	\$ 185,838
MOTOR VEHICLE EXCISE TAXES	2,050,000	2,050,000	2,225,665	175,665
PENALTIES & INTEREST ON TAXES	80,000	80,000	182,137	102,137
INTERGOVERNMENTAL	9,871,207	9,871,207	9,976,681	105,474
PAYMENTS IN LIEU OF TAXES	1,270,000	1,270,000	2,037,735	767,735
INVESTMENT INCOME	119,200	119,200	48,020	(71,180)
DEPARTMENTAL AND OTHER	2,439,972	2,439,972	3,553,289	1,113,317
TOTAL REVENUES	51,601,345	51,601,345	53,980,331	2,378,986
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	2,386,515	2,319,444	2,173,591	145,853
PUBLIC SAFETY	7,057,664	7,131,016	7,076,280	54,736
EDUCATION	29,872,287	29,872,287	29,697,181	175,106
PUBLIC WORKS	2,084,565	2,106,433	2,118,111	(11,678)
HUMAN SERVICES	650,306	711,269	668,921	42,348
CULTURE & RECREATION	1,076,122	1,082,396	991,216	91,180
EMPLOYEE BENEFITS	9,154,248	9,169,218	8,746,068	423,150
STATE & COUNTY ASSESSMENTS	331,962	331,962	308,499	23,463
DEBT SERVICE:				
PRINCIPAL	1,775,000	1,775,000	1,775,000	-
INTEREST	1,011,564	933,653	928,264	5,389
TOTAL EXPENDITURES	55,400,233	55,432,678	54,483,131	949,547
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,798,888)</u>	<u>(3,831,333)</u>	<u>(502,800)</u>	<u>3,328,533</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	1,522,399	1,554,844	1,619,410	64,566
OPERATING TRANSFERS OUT	(200,000)	(605,000)	(605,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,322,399	949,844	1,014,410	64,566
NET CHANGE IN FUND BALANCE	(2,476,489)	(2,881,489)	511,610	3,393,099
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	6,496,099	6,496,099	6,496,099	-
BUDGETARY FUND BALANCE, END OF YEAR	\$ 4,019,610	\$ 3,614,610	\$ 7,007,709	\$ 3,393,099

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012**

ASSETS	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER	SEWER	SANITATION	TOTAL
CURRENT:				
CASH AND SHORT-TERM INVESTMENTS	\$ 10,361,597	\$ 726,004	\$ 371,279	\$ 11,458,880
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	1,704,292	575,979	32,918	2,313,189
TOTAL CURRENT ASSETS	12,065,889	1,301,983	404,197	13,772,069
NONCURRENT:				
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	13,037,637	1,600,364	-	14,638,001
TOTAL ASSETS	25,103,526	2,902,347	404,197	28,410,070
LIABILITIES				
CURRENT:				
ACCOUNTS PAYABLE	296,738	2,112	103,286	402,136
ACCRUED INTEREST	53,970	214	-	54,184
DEFERRED AMOUNT ON REFUNDING	12,864	-	-	12,864
COMPENSATED ABSENCES	15,661	1,740	-	17,401
BONDS AND NOTES PAYABLE	810,950	106,900	-	917,850
TOTAL CURRENT LIABILITIES	1,190,183	110,966	103,286	1,404,435
NONCURRENT:				
DEFERRED AMOUNT ON REFUNDING	128,636	-	-	128,636
COMPENSATED ABSENCES	59,373	6,597	-	65,970
POSTEMPLOYMENT BENEFITS	227,198	56,798	-	283,996
BONDS AND NOTES PAYABLE	12,221,540	787,300	-	13,008,840
TOTAL NONCURRENT LIABILITIES	12,636,747	850,695	-	13,487,442
TOTAL LIABILITIES	13,826,930	961,661	103,286	14,891,877
NET ASSETS				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	6,081,314	998,284	-	7,079,598
UNRESTRICTED	5,195,282	942,402	300,911	6,438,595
TOTAL NET ASSETS	\$ 11,276,596	\$ 1,940,686	\$ 300,911	\$ 13,518,193

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FISCAL YEAR ENDED JUNE 30, 2012**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER	SEWER	SANITATION	TOTAL
<u>OPERATING REVENUES:</u>				
CHARGES FOR SERVICES	\$ 4,201,000	\$ 1,175,914	\$ 938,885	\$ 6,315,799
DEPARTMENTAL AND OTHER	434,417	6,322	-	440,739
TOTAL OPERATING REVENUES	<u>4,635,417</u>	<u>1,182,236</u>	<u>938,885</u>	<u>6,756,538</u>
<u>OPERATING EXPENSES:</u>				
GENERAL SERVICES	2,070,901	960,197	938,510	3,969,608
DEPRECIATION	<u>479,929</u>	<u>58,827</u>	<u>-</u>	<u>538,756</u>
TOTAL OPERATING EXPENSES	<u>2,550,830</u>	<u>1,019,024</u>	<u>938,510</u>	<u>4,508,364</u>
OPERATING INCOME (LOSS)	2,084,587	163,212	375	2,248,174
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
INTERGOVERNMENTAL	20,414	58,478	-	78,892
INVESTMENT INCOME	11,456	2,270	1,545	15,271
INTEREST EXPENSE	<u>(190,416)</u>	<u>(46,532)</u>	<u>-</u>	<u>(236,948)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	<u>(158,546)</u>	<u>14,216</u>	<u>1,545</u>	<u>(142,785)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,926,041	177,428	1,920	2,105,389
<u>OPERATING TRANSFERS:</u>				
OPERATING TRANSFERS IN	32,636	3,383	-	36,019
OPERATING TRANSFERS OUT	<u>(503,946)</u>	<u>(64,401)</u>	<u>(87,147)</u>	<u>(655,494)</u>
TOTAL OPERATING TRANSFERS	<u>(471,310)</u>	<u>(61,018)</u>	<u>(87,147)</u>	<u>(619,475)</u>
CHANGE IN NET ASSETS	1,454,731	116,410	(85,227)	1,485,914
NET ASSETS AT BEGINNING OF YEAR	<u>9,821,865</u>	<u>1,824,276</u>	<u>386,138</u>	<u>12,032,279</u>
NET ASSETS AT END OF YEAR	<u>\$ 11,276,596</u>	<u>\$ 1,940,686</u>	<u>\$ 300,911</u>	<u>\$ 13,518,193</u>

See accompanying notes to the basic financial statements

TOWN OF FOXBOROUGH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FISCAL YEAR ENDED JUNE 30, 2012

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>WATER</u>	<u>SEWER</u>	<u>SANITATION</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
RECEIPTS FROM CUSTOMERS AND USERS	\$ 4,582,211	\$ 1,144,851	\$ 937,874	\$ 6,664,936
PAYMENTS TO SUPPLIERS	(1,393,343)	(885,979)	(854,793)	(3,134,115)
PAYMENTS TO EMPLOYEES	<u>(768,160)</u>	<u>(62,988)</u>	<u>(10,580)</u>	<u>(841,728)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,420,708</u>	<u>195,884</u>	<u>72,501</u>	<u>2,689,093</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
OPERATING TRANSFERS IN (OUT)	<u>(471,310)</u>	<u>(61,018)</u>	<u>(87,147)</u>	<u>(619,475)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	5,800,000	-	-	5,800,000
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(510,822)	(75,813)	-	(586,635)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(598,194)	-	-	(598,194)
INTEREST EXPENSE	<u>(156,016)</u>	<u>(20,114)</u>	<u>-</u>	<u>(176,130)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>4,534,968</u>	<u>(95,927)</u>	<u>-</u>	<u>4,439,041</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
INTEREST RECEIVED	<u>11,456</u>	<u>2,270</u>	<u>1,545</u>	<u>15,271</u>
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	6,495,822	41,209	(13,101)	6,523,930
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	<u>3,865,775</u>	<u>684,795</u>	<u>384,380</u>	<u>4,934,950</u>
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	<u>\$ 10,361,597</u>	<u>\$ 726,004</u>	<u>\$ 371,279</u>	<u>\$ 11,458,880</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>				
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
OPERATING INCOME (LOSS)	<u>\$ 2,084,587</u>	<u>\$ 163,212</u>	<u>\$ 375</u>	<u>\$ 2,248,174</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	479,929	58,827	-	538,756
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(53,206)	(37,384)	(1,011)	(91,601)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(141,858)	(2,417)	73,137	(71,138)
INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE	(6,003)	(668)	-	(6,671)
INCREASE (DECREASE) IN POSTEMPLOYMENT BENEFITS	<u>57,259</u>	<u>14,314</u>	<u>-</u>	<u>71,573</u>
TOTAL ADJUSTMENTS	<u>336,121</u>	<u>32,672</u>	<u>72,126</u>	<u>440,919</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,420,708</u>	<u>\$ 195,884</u>	<u>\$ 72,501</u>	<u>\$ 2,689,093</u>

See accompanying notes to the basic financial statements

TOWN OF FOXBOROUGH, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2012

	<u>POSTEMPLOYMENT BENEFITS TRUST</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>			
CASH AND SHORT-TERM INVESTMENTS	\$ 3,225	\$ 25,921	\$ 178,894
INVESTMENTS	2,052,750	75,915	-
DEPARTMENTAL	-	-	132,229
TOTAL ASSETS	<u>2,055,975</u>	<u>101,836</u>	<u>311,123</u>
<u>LIABILITIES</u>			
OTHER LIABILITIES	-	-	311,123
<u>NET ASSETS</u>			
HELD IN TRUST FOR PLAN PARTICIPANTS	2,055,975	-	-
HELD IN TRUST FOR OTHER PURPOSES	-	101,836	-
TOTAL	<u>\$ 2,055,975</u>	<u>\$ 101,836</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FISCAL YEAR ENDED JUNE 30, 2012**

	POSTEMPLOYMENT BENEFITS TRUST	PRIVATE PURPOSE TRUST FUNDS
<u>ADDITIONS:</u>		
CONTRIBUTIONS: DEPARTMENTAL	\$ 145,209	\$ -
NET INVESTMENT INCOME (LOSS): INVESTMENT INCOME	36,220	7,667
TOTAL ADDITIONS	181,429	7,667
<u>DEDUCTIONS:</u>		
CHANGE IN NET ASSETS	181,429	7,667
NET ASSETS AT BEGINNING OF YEAR	1,874,546	94,169
NET ASSETS AT END OF YEAR	\$ 2,055,975	\$ 101,836

See accompanying notes to the basic financial statements

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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:

<u>Name</u>	<u>Purpose</u>	<u>Address</u>	<u>Annual Assessment</u>
Southeast Regional Vocational School District	To provide vocational education	250 Foundry Street Easton, MA 02375	\$ 319,930

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, 2012

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

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, 2012

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

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

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

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

Fund Financial Statements

Governmental Fund Financial Statements

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

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

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

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

The Town reports the following major governmental funds:

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

Proprietary Fund Financial Statements

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

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

The following major proprietary funds are reported:

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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. Accounts Receivable

Government-Wide and Fund Financial Statements

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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.

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

Motor Vehicle Excise

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

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

Water and Sewer

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

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

Departmental and Other

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Intergovernmental

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

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

F. Inventories

Government-Wide and Fund Financial Statements

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

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

Governmental Fund Financial Statements

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

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Deferred Revenue

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets are classified into three components:

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

Net assets have been “restricted” for the following:

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

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.
- 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.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

- 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, the least restricted amount will be considered to have been spent.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

M. Investment Income

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

N. Compensated Absences

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2012 is recorded in the governmental fund financial statement.

O. Use of Estimates

Government-Wide and Fund Financial Statements

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

P. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

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.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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 2012 approved budget authorized \$54,832,054 in current year appropriations and other amounts to be raised and \$568,179 in articles carried forward from previous fiscal years. Supplemental appropriations of \$32,445 were approved at one Special Town Meeting for fiscal year 2012.

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

B. Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2012, is presented below:

Net change in fund balance - budgetary basis	\$	511,610
Basis of accounting differences:		
Net stabilization fund activity		17,301
Bond premium, net of expenses		774,473
Increase in revenue for on-behalf payments - MTRS		5,152,616
Increase in expenditures for on-behalf payments - MTRS		(5,152,616)
Adjustment for Current Year Encumbrances		522,641
Adjustment for Current Year Articles		611,582
Adjustment for expenditures from prior year encumbrances		<u>(302,097)</u>
Net change in fund balance - GAAP basis	\$	<u>2,135,510</u>

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2012, actual expenditures exceeded appropriations for the snow and ice expenditures account. These over-expenditures will be funded by available funds during fiscal year 2013, as is allowed by Massachusetts General Laws (MGL).

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

D. Deficit Fund Balance

Several individual fund deficits exist within the special revenue and 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 2013.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

Deposits

▪ *Custodial Credit Risk - Deposits*

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

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

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

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, 2012:

Total bank balances		<u>\$ 27,267,591</u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	1,789,764	
Depositor's Insurance Fund (DIF)	<u>9,343,656</u>	
Total bank balances covered by deposit insurance		11,133,420
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	5,786,111	
Bank balances uninsured & uncollateralized	<u>10,348,060</u>	
Total bank balances subject to custodial credit risk		<u>16,134,171</u>
Total bank balances		<u>\$ 27,267,591</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2013.

Investments

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

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

- **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 yearend for each investment type of the Town.

Investment type	Fair value	Minimum Legal Rating						Unrated
			AA+	AA	AA-	A	A-	
Corporate Bonds	\$ 463,179	N/A	\$ 55,487	\$ 96,346	\$ 57,304	\$ 201,853	\$ 52,189	\$ -
Common Stock	50,772	N/A	-	-	-	-	-	50,772
Fixed income mutual funds	246,380	N/A	-	-	-	-	-	246,380
Equity mutual funds	1,226,370	N/A	-	-	-	-	-	1,226,370
Money market mutual funds	141,964	N/A	-	-	-	-	-	141,964
Total Investments	\$ 2,128,665		\$ 55,487	\$ 96,346	\$ 57,304	\$ 201,853	\$ 52,189	\$ 1,665,486

- *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, or the corporate equities 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.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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.

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	6-10
<i>Debt Related Securities:</i>				
Corporate bonds	\$ 463,179	\$ -	\$ 199,967	\$ 263,212
Fixed Income Mutual Funds	246,380	246,380	-	-
Total - Debt related securities	709,559	246,380	199,967	263,212
<i>Other Investments:</i>				
Equity mutual funds	1,226,370	1,226,370	-	-
Money market mutual funds	141,964	141,964	-	-
Common Stock	50,772	50,772	-	-
Total Other Investments	1,419,106	1,419,106	-	-
Total Investments	\$ 2,128,665	\$ 1,665,486	\$ 199,967	\$ 263,212

- *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. More than 5% of the Town’s investments are in the following equity mutual funds:

Issuer	Percentage of Total Investments
American Century Heritage	5.15%
American Century Mid Cap Value	5.24%

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

NOTE 4 – RECEIVABLES

The receivables at June 30, 2012 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	\$ 425,329	\$ -	\$ 425,329
Personal property taxes	138,313	(94,600)	43,713
Real estate and personal property taxes	563,642	(94,600)	469,042
Tax liens	778,658	-	778,658
Motor vehicle excise taxes	192,038	(28,100)	163,938
Departmental and other	2,098,988	(467,347)	1,631,641
Intergovernmental	1,014,739	-	1,014,739
Total	<u>\$ 4,648,065</u>	<u>\$ (590,047)</u>	<u>\$ 4,058,018</u>

The receivables at June 30, 2012, for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water</i>			
User fees	\$ 1,704,292	\$ -	\$ 1,704,292
<i>Sewer</i>			
User fees	575,979	-	575,979
<i>Sanitation</i>			
User fees	32,918	-	32,918
Total	<u>\$ 2,313,189</u>	<u>\$ -</u>	<u>\$ 2,313,189</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

Deferred Revenue Analysis

Receivable Type:	General Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 330,003	\$ -	\$ 330,003
Tax Liens	778,658	-	778,658
Motor vehicle excise taxes	163,938	-	163,938
Departmental and other	-	1,274,701	1,274,701
Intergovernmental	-	123,706	123,706
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 1,272,599</u>	<u>\$ 1,398,407</u>	<u>\$ 2,671,006</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases & Reclassifications	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 6,461,525	\$ 75,700	\$ -	\$ 6,537,225
Construction in progress	645,799	2,834,176	-	3,479,975
Total capital assets not being depreciated	<u>7,107,324</u>	<u>2,909,876</u>	<u>-</u>	<u>10,017,200</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	74,636,639	2,957,471	-	77,594,110
Capital improvements (other than buildings)	214,949	63,523	-	278,472
Machinery and equipment	2,526,800	297,490	-	2,824,290
Vehicles	9,064,637	785,007	(168,810)	9,680,834
Software	553,611	25,025	-	578,636
Infrastructure	18,284,116	1,564,569	-	19,848,685
Total capital assets being depreciated	<u>105,280,752</u>	<u>5,693,085</u>	<u>(168,810)</u>	<u>110,805,027</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(24,997,465)	(1,703,918)	-	(26,701,383)
Capital improvements (other than buildings)	(107,881)	(17,258)	-	(125,139)
Machinery and equipment	(1,664,205)	(321,593)	-	(1,985,798)
Vehicles	(5,916,755)	(632,260)	168,810	(6,380,205)
Software	(390,749)	(102,143)	-	(492,892)
Infrastructure	(6,276,120)	(524,523)	-	(6,800,643)
Total accumulated depreciation	<u>(39,353,175)</u>	<u>(3,301,695)</u>	<u>168,810</u>	<u>(42,486,060)</u>
Total capital assets being depreciated, net	<u>65,927,577</u>	<u>2,391,390</u>	<u>-</u>	<u>68,318,967</u>
Total governmental activities capital assets, net	<u>\$ 73,034,901</u>	<u>\$ 5,301,266</u>	<u>\$ -</u>	<u>\$ 78,336,167</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Business-Type Activities:	Beginning Balance	Increases	Decreases & Reclassifications	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 692,282	\$ -	\$ -	\$ 692,282
Construction in progress	471,015	215,965	-	686,980
Total capital assets not being depreciated	<u>1,163,297</u>	<u>215,965</u>	<u>-</u>	<u>1,379,262</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	655,300	-	-	655,300
Machinery and equipment	1,217,972	133,521	-	1,351,493
Vehicles	240,826	108,700	-	349,526
Infrastructure	<u>17,429,849</u>	<u>347,402</u>	<u>-</u>	<u>17,777,251</u>
Total capital assets being depreciated	<u>19,543,947</u>	<u>589,623</u>	<u>-</u>	<u>20,133,570</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(655,300)	-	-	(655,300)
Machinery and equipment	(517,582)	(97,688)	-	(615,270)
Vehicles	(153,913)	(34,973)	-	(188,886)
Infrastructure	<u>(5,009,280)</u>	<u>(406,095)</u>	<u>-</u>	<u>(5,415,375)</u>
Total accumulated depreciation	<u>(6,336,075)</u>	<u>(538,756)</u>	<u>-</u>	<u>(6,874,831)</u>
Total capital assets being depreciated, net	<u>13,207,872</u>	<u>50,867</u>	<u>-</u>	<u>13,258,739</u>
Total business-type activities capital assets, net	<u>\$ 14,371,169</u>	<u>\$ 266,832</u>	<u>\$ -</u>	<u>\$ 14,638,001</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

Governmental Activities:	
General government	\$ 125,190
Public safety	777,685
Education	1,678,362
Public works	687,382
Human services	18,955
Culture and recreation	14,121
Total depreciation expense - governmental activities	\$ 3,301,695

Business-Type Activities:	
Water	\$ 479,929
Sewer	58,827
Total depreciation expense - business-type activities	\$ 538,756

Construction Commitments

The Town has two active major fund construction projects for the renovation of the library and the water treatment facility as of June 30, 2012. At year end the Town's project commitments for the various contractors are as follows:

Project	Spent to Date	Remaining Commitment
Water Treatment Facility	\$ 171,450	\$ 4,927,025
Library Renovations	2,478,727	5,876,981
Totals	\$ 2,650,177	\$ 10,804,006

These commitments for the renovation of the library and the water treatment facility projects will be funded by grant proceeds and the issuance of long-term debt.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

<u>Operating Transfers Out:</u>	<u>Operating Transfers In:</u>					<u>Total</u>	
	<u>General Fund</u>	<u>Library Renovation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water Enterprise Fund</u>	<u>Sewer Enterprise Fund</u>		
Nonmajor Governmental Func	\$ 873,475	\$ -	\$ -	\$ -	\$ -	\$ 873,475	(1)
Nonmajor Governmental Func	90,441	-	-	32,636	3,383	126,460	(3)
General Fund	-	405,000	200,000	-	-	605,000	(1)
Water Enterprise Fund	503,946	-	-	-	-	503,946	(2)
Sewer Enterprise Fund	64,401	-	-	-	-	64,401	(2)
Sanitation Enterprise Fund	87,147	-	-	-	-	87,147	(2)
 Total	 <u>\$ 1,619,410</u>	 <u>\$ 405,000</u>	 <u>\$ 200,000</u>	 <u>\$ 32,636</u>	 <u>\$ 3,383</u>	 <u>\$ 2,260,429</u>	

(1) Represents budgeted transfers.

(2) Represents budgeted transfers from the various enterprise funds to the general fund.

(3) Other transfers.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 – SHORT-TERM FINANCING

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

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

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

The following is a summary of changes in short-term debt for the year ended June 30, 2012:

Purpose	Rate (%)	Due Date	Balance at June 30, 2011	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2012
Governmental Funds:						
Septic Loan Program	0.00%	advance	<u>\$ 550,106</u>	<u>\$ 48,180</u>	<u>\$ -</u>	<u>\$ 598,286</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
High School renovation	3.35	\$ 9,880,000	\$ -	\$ 520,000	\$ 9,360,000
Library renovation	2.79	-	7,095,000	-	7,095,000
Title V	0.00	66,602	-	11,100	55,502
Landfill Closure	1.21	990,000	-	177,300	812,700
Senoir Center	1.21	200,000	-	36,200	163,800
School - Ahern Middle	1.21	800,000	-	118,000	682,000
Land Acquisition - Mill St.	1.21	975,000	-	67,000	908,000
School & Vehicles	3.84	3,151,000	-	227,000	2,924,000
Public Safety/Fire engines	3.84	5,999,000	-	488,000	5,511,000
Public Safety Building	4.02	3,600,000	-	225,000	3,375,000
Public Works	3.84	75,000	-	20,000	55,000
Total		\$ 25,736,602	\$ 7,095,000	\$ 1,889,600	\$ 30,942,002

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2012 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,141,100	\$ 1,113,537	\$ 3,254,637
2014	2,127,601	1,038,587	3,166,188
2015	2,116,101	968,013	3,084,114
2016	2,031,100	898,699	2,929,799
2017	2,026,100	826,337	2,852,437
2018-2022	9,655,000	3,023,050	12,678,050
2023-2027	7,515,000	1,310,688	8,825,688
2028-2032	<u>3,330,000</u>	<u>283,856</u>	<u>3,613,856</u>
Total	<u>\$ 30,942,002</u>	<u>\$ 9,462,767</u>	<u>\$ 40,404,769</u>

Bonds and Notes Payable Schedule - Water and Sewer Enterprise Funds

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2011</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2012</u>
Sewer	Var.	\$ 182,360	\$ -	\$ 28,197	\$ 154,163
Sewer	Var.	45,000	-	5,000	40,000
Sewer	Var.	632,909	-	62,872	570,037
Sewer	3.86	140,000	-	10,000	130,000
Water		-	5,800,000	-	5,800,000
Water	2.00	3,917,287	-	182,618	3,734,669
Land Acquisition - Water	2.77	20,000	-	10,000	10,000
Water Reuse	1.21	1,375,000	-	170,000	1,205,000
Water	1.21	2,160,000	-	266,500	1,893,500
Water	Var.	390,271	-	27,217	363,054
Water	Var.	<u>27,792</u>	<u>-</u>	<u>1,525</u>	<u>26,267</u>
Total		<u>\$ 8,890,619</u>	<u>\$ 5,800,000</u>	<u>\$ 763,929</u>	<u>\$ 13,926,690</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2012 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 917,850	\$ 454,609	\$ 1,372,459
2014	917,174	414,515	1,331,689
2015	914,070	387,238	1,301,308
2016	923,127	359,785	1,282,912
2017	923,098	327,955	1,251,053
2018-2022	4,399,000	1,127,624	5,526,624
2023-2027	2,974,307	511,428	3,485,735
2028-2032	1,958,064	166,450	2,124,514
Total	<u>\$ 13,926,690</u>	<u>\$ 3,749,604</u>	<u>\$ 17,676,294</u>

Loans Authorized and Unissued

As of June 30, 2012, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Conservation - Land Acquisition	5/13/1986	\$ 130,000
Water - Land Acquisition	5/14/1990	70,000
School Renovation	5/4/2009	3,153,140
Community Septic Program	12/14/2009	600,000
Design, Construct, & Equip Water Treatment Facility	5/10/2010	817,398
Total		<u>\$ 4,770,538</u>

Massachusetts School Building Authority Reimbursements

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

The current grant program awarded a 49.31% state school construction grant, through MSBA, for the High School renovation project.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

<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	\$ 25,736,602	\$ 7,095,000	\$ (1,889,600)	\$ 30,942,002	\$ 2,141,100
Compensated absences	1,083,566	186,701	-	1,270,267	678,406
Postemployment Benefits	9,413,881	3,250,876	-	12,664,757	-
Landfill postclosure care costs	<u>666,000</u>	<u>-</u>	<u>(37,000)</u>	<u>629,000</u>	<u>37,000</u>
Total governmental activities long-term liabilities	<u>\$ 36,900,049</u>	<u>\$ 10,532,577</u>	<u>\$ (1,926,600)</u>	<u>\$ 45,506,026</u>	<u>\$ 2,856,506</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	\$ 8,890,619	\$ 5,800,000	\$ (763,929)	\$ 13,926,690	\$ 917,850
Compensated absences	90,041	-	(6,670)	83,371	17,401
Postemployment Benefits	<u>212,423</u>	<u>71,573</u>	<u>-</u>	<u>283,996</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 9,193,083</u>	<u>\$ 5,871,573</u>	<u>\$ (770,599)</u>	<u>\$ 14,294,057</u>	<u>\$ 935,251</u>

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

Advance and Current Year Refunding

On March 20, 2012, the Town issued general obligation refunding bonds in the amount of \$5,145,000 with an interest rates ranging from 2.00% to 4.00% to advance refund \$5,390,000 of general obligation bonds with an interest rates ranging from 3.55% to 5.49%. The advance refunded bonds mature on June 15, 2017, June 15, 2020, December 1, 2021, December 1, 2022 and June 15, 2024. The advance refunded bonds are callable on May 1, 2012, December 1, 2012 and June 15, 2014. The general obligation refunding bonds were issued at a net interest cost of 1.46% and, after receiving a bond premium of \$595,731, contributing \$37,556 from the debt service budget, paying issuance costs of \$90,577, and reserving \$5,757 in bond premium, the net proceeds were \$5,681,953. 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 May 1, 2012, December 1, 2012, and June 30, 2014. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the Town's financial statements. The refunding results a net present value benefit of \$650,095.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012:

<u>Agency</u>	<u>Total Long-Term Debt Outstanding</u>	<u>Town's Estimated Share</u>	<u>Town's Indirect Debt</u>
Norfolk County	<u>\$ 5,302,239</u>	2.510%	<u>\$ 133,086</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, 2012, the total amount of conduit debt outstanding was \$47,785,000.

NOTE 9 – RISK FINANCING

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

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

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

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town’s liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2012.

The Town has several contributory health care options. There are 685 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.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

Funding Policy. The contribution requirements of plan members and the Town are established and may be amended by local by-law. The required contribution is based on projected pay-as-you-go financing requirements. For Fiscal Year 2012, the estimated total Town premiums plus implicit costs for the retiree medical program are \$1,460,664.

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

Annual Required Contribution (ARC)	\$ 4,839,156
Interest on Net OPEB Obligation	551,817
ARC Adjustment	<u>(426,431)</u>
Annual OPEB Cost (expense)	4,964,542
Contributions made	<u>(1,642,093)</u>
Increase in net OPEB obligation	3,322,449
Net OPEB Obligation - beginning of year	<u>9,626,304</u>
Net OPEB Obligation - end of year	<u>\$ 12,948,753</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the three preceding years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Increase in</u> <u>OPEB</u> <u>Obligation</u>	<u>Net OPEB</u> <u>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

Funded Status and Funding Progress. As of June 30, 2011, the most recent actuarial valuation date, the plan was 3.46% funded. The actuarial accrued liability for benefits was \$54.227 million, and the actuarial value of assets was \$1.875 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$52.352 million. The covered payroll (annual payroll of active employees covered by the plan) was \$30.786 million, and the ratio of the UAAL to the covered payroll was 170.1%.

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, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, the normal cost and actuarial liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ration of past service to total service. The actuarial assumptions included a 3.50% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.00% percent graded down to 5.00% over five years. The actuarial value of assets was determined using market value. The UAAL is being amortized as a level dollar amount over 30 years at transition. The remaining amortization period at July 1, 2012, was 26 years.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11 – PENSION PLAN

A. Plan Descriptions

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

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

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

B. Funding Policies

Norfolk County Contributory Retirement System

Plan members are required to contribute to the “System” at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the “System”, its share of the remaining system-wide, actuarially determined, contribution plus administration costs, which are apportioned among the employers, based on active covered payroll. The Commonwealth of Massachusetts reimburses the “system” for a portion of the benefit payments for the cost of living increases. The contributions to the “System” for years ended June 30, 2012, 2011, and 2010 were \$2,375,116, \$2,201,277, and \$2,121,371, respectively, which were equal to its required contributions for each of these years.

Massachusetts Teachers’ Retirement System

Plan members (at varying rates of annual covered compensation) and the Commonwealth of Massachusetts fund contributions to the MTRS. The Commonwealth of Massachusetts contributed “on-behalf” payments to the MTRS totaling \$5,152,616 for fiscal year 2012. In accordance with GASB Statement No. 24, 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
JUNE 30, 2012

NOTE 12 – 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, 2012, 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 (19 years remaining), and the estimated liability has been recorded in the Statement of Net Assets, Governmental Activities. The \$629,000 reported as landfill post-closure liability at June 30, 2012 is based on what it would cost to perform all post-closure care costs at June 30, 2012. 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, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012.

NOTE 13 – MAJOR FUND RECLASSIFICATIONS

The Library Renovation fund is a capital project that has been reclassified to a major fund for the fiscal year ended June 30, 2012. The Town has discontinued the self insured health insurance internal service fund. As a result, the self-insurance fund has been reclassified to the non-major governmental fund. The schedule below displays the effect of these reclassifications on the beginning fund balances.

Description	Governmental Funds		
	Major Library Renovation Fund	Nonmajor Governmental Funds	Internal Service Fund
Balances at June 30, 2011, as previously reported	\$ -	\$ 4,420,070	\$ 1,260,552
To Reclassify the Major Library Renovation Fund From the NonMajor Governmental Funds	392,683	(392,683)	-
To Reclassify the Internal Service Fund to the Nonmajor Governmental Funds	-	1,260,552	(1,260,552)
Balances at June 30, 2011, as restated	<u>\$ 392,683</u>	<u>\$ 5,287,939</u>	<u>\$ -</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2012, the following GASB pronouncements were implemented:

The GASB issued **Statement #57**, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*. This pronouncement required no additional disclosure and did not impact the basic financial statements.

The GASB issued **Statement #59**, *Financial Instruments Omnibus*. This pronouncement required no additional disclosure and did not impact the basic financial statements.

The GASB issued **Statement #62**, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This pronouncement required no additional disclosure and did not impact the basic financial statements.

The GASB issued **Statement #64**, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, an amendment of GASB Statement No. 53. This pronouncement required no additional disclosure and did not impact the basic financial statements.

Future GASB Pronouncements:

The GASB issued **Statement #60**, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.

The GASB issued **Statement #61**, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.

The GASB issued **Statement #63**, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.

The GASB issued **Statement #65**, *Items previously reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014.

The GASB issued **Statement #66**, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2014.

The GASB issued **Statement #67**, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.

The GASB issued **Statement #68**, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.

Management is reviewing the impact of these pronouncements will have on the basic financial statements.

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

Schedules of Funding Progress and Employer Contributions

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

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%

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

* Based on expected premium payments.

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

Valuation date	June 30, 2011
Discount Rate	3.50%
Medical Trend	7.0 % grading down to 5% in Year 2017 and thereafter
Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level dollar amount over 30 years at transition
Remaining Amortization Period	26
Mortality	RP-2000 Table for males RP-2000 Table for females

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

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

Medical Plan Participants:

Current retirees, beneficiaries, and dependants	288
Current active members/participants	<u>581</u>
Total	<u><u>869</u></u>