

TOWN OF FOXBOROUGH, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2013

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INDEPENDENT AUDITORS REPORT

To the Honorable Board of Selectmen
Town of Foxborough, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Foxborough, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Foxborough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Foxborough, Massachusetts, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

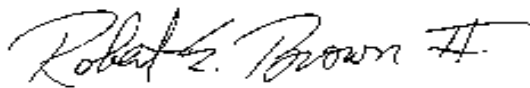
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retirement system schedules of funding progress and employer contributions and other postemployment benefits – schedules of funding progress and employer contributions on pages 3-13, 62 and 63 – 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2014, on our consideration of the Town of Foxborough, Massachusetts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our audit testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Foxborough, Massachusetts's internal control over financial reporting and compliance.



R.E. Brown & Company CPA's

June 24, 2014

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, 2013. 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 \$77.68 million (net position). Of this amount, \$6.57 million, or 8.46%, is considered unrestricted (unrestricted net position).
- The unrestricted net position of the Town's governmental activities is -\$336 thousand, primarily as a result of the phase-in of the postemployment benefits, or OPEB, liability. The unrestricted net position of the Town's business-type activities is \$6.9 million and may be used to meet the ongoing obligations of the Town's water and sewer business-type activities.
- The government's total net position increased by \$4.5 million, or 6.2%, in fiscal 2013. Within this total, net position of governmental activities increased by \$3.4 million, a 5.7% increase from fiscal 2012. Also, net position of business-type activities increased by \$1.1 million or 8.4%, from 2012.
- At June 30, 2013, the Town's governmental funds had a combined ending fund balance of \$21.02 million. The combined governmental funds balance decreased by \$4.25 million, or 16.8%, from the prior year's ending fund balance. A total of \$8.13 million, or 38.6% of the \$21.02 million fund balance is considered unassigned at June 30, 2013. This represents a \$1.2 million, or 17.0%, increase over FY '12.
- The Town's general fund reported a fund balance of \$13.79 million at the end of fiscal 2013. The unassigned fund balance for the general fund was \$8.14 million, or 13.9%, of total FY '13 general fund budgetary expenditures. This represents a \$1.63 million increase in total general fund balance for the year. A total of \$2.21 million of the unassigned fund balance was designated for funding the fiscal year 2014 budget.
- The total cost of all Town services on a full accrual basis for fiscal 2013 was \$71.9 million, \$67.85 million of which was for governmental services, and \$4.05 million of which was for business-type activities, an overall 0.77% decrease compared to fiscal 2012.
- The Town's total bonded debt decreased by a net of \$2.46 million or 5.48% during the year. \$3.06 million was amortized via scheduled principal redemptions. New interest free debt in FY '13 totaling \$600 thousand was added via a state program to subsidize residential septic system replacements.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Private purpose trust funds, postemployment benefits trust, and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions “Private Purpose Trust Funds”, “Postemployment Benefits Trust”, and “Agency 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 have been displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

Government-wide Financial Analysis:

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

As noted above, assets exceed liabilities by \$77.68 million at the close of fiscal year 2013. The Town is able to report positive balances in net position for both the government as a whole, and for each of its governmental and business-type activities in total and by sub-component, respectively.

A key component of the Town's net position is its *unrestricted net position* totaling \$6.57 million, or 8.46%, of net position, 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 \$63.47 million, or 81.7%, of net position. The Town uses these capital assets to provide services to citizens; consequently, these assets *are not* available for future spending. Although the investment in the Town's capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of Governmental activities increased by \$3.42 million, a 5.7% increase from fiscal 2012. Net position of business-type activities increased by \$1.1 million or 8.4%, from 2012. Total Town net position increased by \$4.52 million, or 6.2%.

The increase in Governmental activities net position is attributable a \$1.06 million increase to Capital Assets Net of Related Debt. Restricted Assets increased \$1.69 million net of a \$754 thousand increase to the Net Other Post-Employment Benefits (OPEB) Obligation liability recorded for FY 2013, reflecting the latest accrual update for this actuarial liability. Unrestricted Assets increased \$665 thousand primarily due grant obligations being received in FY '13, net of a \$544 thousand and \$1 million increase to Current & Non-Current Liabilities, respectively.

Net position of business-type activities increased by \$1.1 million as a result of the following: operating revenue exceeded expenses and depreciation by \$2.1 million; \$76.6 thousand was received via intergovernmental grants; \$13 thousand was earned in interest; interest expense was \$505.3 thousand; and the net of transfers out for costs incurred in the general fund were \$580.2 thousand.

There was an increase of \$1.05 million, or 9.3%, in net position reported in connection with the water business-type activities. There was an increase of \$57.8 thousand, or 2.98%, in net position in connection with the sewer business-type activities.

An additional portion of the Governmental activities total net position totaling \$7.6 million, or 9.83%, represents resources that are subject to external restrictions on how they may be used.

TOWN of FOXBOROUGH - FINANCIAL HIGHLIGHTS

	Governmental Activities			Business-type Activities			Total Primary Government		
	FY 2013	FY 2012	Increase (Decrease)	FY 2013	FY 2012	Increase (Decrease)	FY 2013	FY 2012	Increase (Decrease)
Assets:									
Current Assets	\$28,222,912	\$31,694,525	\$(3,471,613)	\$10,064,330	\$13,367,872	\$(3,303,542)	\$38,287,242	\$45,062,397	(6,775,155)
Capital Assets	84,905,576	78,336,167	6,569,409	18,364,746	14,638,001	3,726,745	103,270,322	92,974,168	10,296,154
Total Assets	113,128,488	110,030,692	3,097,796	28,429,076	28,005,873	423,203	141,557,564	138,036,565	3,520,999
Liabilities:									
Current Liabilities (excluding debt)	5,156,528	4,612,179	544,349	625,318	383,299	242,019	5,781,846	4,995,478	786,368
Noncurrent Liabilities (excluding debt)	14,980,875	13,939,965	1,040,910	471,940	478,602	(6,662)	15,452,815	14,418,567	1,034,248
Current Debt	2,193,802	2,739,386	(545,584)	917,173	917,850	(677)	3,110,975	3,657,236	(546,261)
Noncurrent Debt	27,440,913	28,800,902	(1,359,989)	12,091,666	13,008,840	(917,174)	39,532,579	41,809,742	(2,277,163)
Total Liabilities	49,772,118	50,092,432	(320,314)	14,106,097	14,788,591	(682,494)	63,878,215	64,881,023	(1,002,808)
Net Position:									
Net Investment in Capital Assets	56,052,667	54,989,640	1,063,027	7,415,609	7,079,598	336,011	63,468,276	62,069,238	1,399,038
Restricted	7,639,506	5,949,642	1,689,864	-	-	-	7,639,506	5,949,642	1,689,864
Unrestricted	(335,803)	(1,001,022)	665,219	6,907,370	6,137,684	769,686	6,571,567	5,136,662	1,434,905
Total Net Position	\$63,356,370	\$59,938,260	\$3,418,110	\$14,322,979	\$13,217,282	\$1,105,697	\$77,679,349	\$73,155,542	\$4,523,807
Revenues									
<i>Program Revenues:</i>									
Charges for Services	\$ 4,878,863	\$ 5,575,313	\$ (696,450)	\$ 5,417,120	\$ 5,376,914	\$ 40,206	\$10,295,983	\$10,952,227	\$ (656,244)
Operating Grants and Contributions	17,754,998	16,903,991	851,007	244,182	454,465	(210,283)	17,999,180	17,358,456	640,724
Capital Grants and Contributions	1,849,626	3,535,036	(1,685,410)	76,600	78,892	(2,292)	1,926,226	3,613,928	(1,687,702)
<i>General Revenues:</i>									
Real Estate and Personal Property Taxes	37,552,271	35,763,787	1,788,484	-	-	-	37,552,271	35,763,787	1,788,484
Tax Liens	290,561	228,819	61,742	-	-	-	290,561	228,819	61,742
Motor Vehicle and Other Excise Taxes	2,446,151	2,184,691	261,460	-	-	-	2,446,151	2,184,691	261,460
Payments in lieu of taxes	2,393,417	2,037,736	355,681	-	-	-	2,393,417	2,037,736	355,681
Hotel/Motel Tax	1,934,753	1,690,154	244,599	-	-	-	1,934,753	1,690,154	244,599
Penalties and Interest on Taxes	186,687	182,137	4,550	-	-	-	186,687	182,137	4,550
Nonrestricted Grants and Contributions	1,203,464	1,663,591	(460,127)	-	-	-	1,203,464	1,663,591	(460,127)
Unrestricted Investment Income	102,678	65,321	37,357	-	-	-	102,678	65,321	37,357
Bond Premium, net of expenses	-	770,570	(770,570)	-	-	-	-	770,570	(770,570)
Other Revenues	93,363	174,259	(80,896)	-	-	-	93,363	174,259	(80,896)
Total Revenues	70,686,832	70,775,405	(88,573)	5,737,902	5,910,271	(172,369)	76,424,734	76,685,676	(260,942)
Expenses:									
General Government	2,227,721	2,025,451	202,270	-	-	-	2,227,721	2,025,451	202,270
Public Safety	7,887,955	7,614,912	273,043	-	-	-	7,887,955	7,614,912	273,043
Education	34,931,968	34,643,423	288,545	-	-	-	34,931,968	34,643,423	288,545
Public Works	2,886,848	2,555,249	331,599	-	-	-	2,886,848	2,555,249	331,599
Human Services	982,998	1,879,489	(896,491)	-	-	-	982,998	1,879,489	(896,491)
Culture and Recreation	1,286,083	1,287,292	(1,209)	-	-	-	1,286,083	1,287,292	(1,209)
Employee Benefits	16,179,901	17,405,611	(1,225,710)	-	-	-	16,179,901	17,405,611	(1,225,710)
State and County Assessments	349,108	308,499	40,609	-	-	-	349,108	308,499	40,609
Interest	1,116,388	929,274	187,114	-	-	-	1,116,388	929,274	187,114
Water	-	-	-	2,949,955	2,741,246	208,709	2,949,955	2,741,246	208,709
Sewer	-	-	-	1,102,002	1,065,556	36,446	1,102,002	1,065,556	36,446
Total Expenses	67,848,970	68,649,200	(800,230)	4,051,957	3,806,802	245,155	71,900,927	72,456,002	(555,075)
Transfers	580,248	532,328	47,920	(580,248)	(532,328)	(47,920)	-	-	-
Change in Net Position	3,418,110	2,658,533	759,577	1,105,697	1,571,141	(465,444)	4,523,807	4,229,674	294,133
Net Position - Beginning	59,938,260	57,279,727	2,658,533	13,217,282	11,646,141	1,571,141	73,155,542	68,925,868	4,229,674
Net Position - Ending	\$63,356,370	\$59,938,260	\$3,418,110	\$14,322,979	\$13,217,282	\$1,105,697	\$77,679,349	\$73,155,542	\$4,523,807

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 2013, governmental funds reported combined ending fund balances of \$21.02 million, a \$4.25 million decrease from the prior year's ending fund balance. The net change reflects a Governmental fund balance increase due to general fund expenditures being \$1.63 million less than combined general fund revenues and operating transfers in and out. Also, \$8.18 million was expended in association with the substantial completion of the High School renovation and the Library renovation and expansion projects. \$1.23 million in state grants were received for these capital projects in addition to a \$125 thousand cash contribution from the general fund. \$600 thousand in state subsidized zero percent interest bond proceeds, for residential septic system replacements, was received in a non-major governmental fund account. Finally, a net of \$341.5 thousand was received or transferred in and out in excess of expenditures 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 \$8.14 million, while total fund balance stood at \$13.79 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 13.9% of total general fund budgetary expenditures, while total fund balance represents 23.5% of that same amount.

General fund budgetary revenues increased by 4.77% or \$2.57 million in FY 2013, due primarily to growth in property taxes associated with voted debt exclusions and allowable annual increases as per proposition 2 ½ (\$1.82 million) and payments in lieu of taxes from Gillette Stadium (\$333 thousand). Conversely, general fund budgetary expenditures, including operating and capital spending, increased by 7.5% or \$4.1 million driven primarily by increases in employee benefits costs (\$995 thousand, inclusive of the impact of a \$551 thousand FY 2012 federal grant that did not recur in FY 2013), education (\$909 thousand), public safety capital (\$744 thousand), debt service (\$519 thousand), general government (\$323 thousand), public works costs (\$307 thousand), and a net \$306 thousand in increases across all other departments. After accounting for other financing sources and uses, the budgetary fund balance of the general fund was nearly unchanged at \$8.21 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 decreased by a net of \$5.7 million to end FY '13 at \$372.6 thousand. The FY '13 balance reflects \$1.04 million in continuing State grant project cost reimbursements, plus the opening fund balance of \$6.1 million less \$6.76 million expended in FY '13 capital project costs.

The High School Renovation Fund balance decreased by a net of \$1.1 million to end FY '13 at \$502.3 thousand. The FY '13 balance reflects the receipt of \$195.3 thousand in continuing Massachusetts School Building Authority project cost reimbursements and a \$125 thousand contribution from the general fund, plus the opening fund balance of \$1.6 million less \$1.42 million expended in FY '13 capital project costs.

The Stabilization funds, which are now included within the General Fund as per GASB 54, has accumulated balances of \$3.59 million, which represents 6.13% of FY 2013 general fund budgetary expenditures. \$3.04 million of these funds is considered "Unassigned" and \$549.5 thousand is considered "Assigned". However, all of these funds can be used for general or capital purposes upon Town Meeting approval.

All other Non-Major Governmental Fund balances increased in total by \$941.5 thousand to \$6.36 million as a result of \$6.8 million received in revenues less \$4.9 million in expenditures and a net of \$965 thousand

in transfers out. The gross transfer out amount of \$1.73 million reflects the normal funding of operating and capital expenses in the general fund. This was netted by \$600 thousand in septic loan bond proceeds.

General Fund Budget Highlights

Actual FY 2013 general fund revenues exceeded budgeted revenues by \$2.21 million, primarily driven by conservatively estimated local receipts and strong property tax collection performance (\$76.5 thousand greater than budget), despite state aid finishing \$55.4 thousand less than plan. General fund expenses were \$460 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 employee health insurance plan design changes resulting in lower premiums for both the Town and its employees. This result is net of a legal snow & ice removal deficit of \$327.2 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, yet improving, economic environment. Net operating transfers in were slightly less than plan by \$31.7 thousand, at \$2.02 million. The net result was a modest decrease to FY 2013 budgetary fund balance of \$8.4 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, 2013, amounts to \$103.27 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 \$9.93 million and reduced by \$103.8 thousand in asset retirements and a net of \$3.26 million in depreciation during fiscal 2013, for a net \$6.57 million increase. The increases were primarily due to: \$7.06 million and \$1.47 million of construction related to the High School and Library renovations, respectively; \$559 thousand of roadway, parking lot and sidewalk infrastructure projects; \$285 thousand in computer, network, projection and copying equipment; \$278.4 thousand in various public safety, highway and school department vehicles net of retirements; \$277 thousand for fire department breathing apparatus equipment; and a net of \$104 thousand in assorted departmental equipment.

Business-type activities capital assets were increased by \$4.28 million in investments and reduced by \$556 thousand in depreciation for a net increase of \$3.73 million. The increase was primarily due to \$3.96 million of investment in the Water enterprise fund related to the construction of the Oak Street water treatment plant and \$193 thousand for water enterprise infrastructure. The balance of the asset additions, \$124 thousand, were primarily associated with water meter equipment.

In summary, total increases net of depreciation to town wide capital assets are \$10.3 million.

Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities			Total Primary Government		
	FY 2013	FY 2012	Increase	FY 2013	FY 2012	Increase	FY 2013	FY 2012	Increase
			(Decrease)			(Decrease)			(Decrease)
Land	\$ 6,537,225	\$ 6,537,225	\$ -	\$ 692,282	\$ 692,282	\$ -	\$ 7,229,507	\$ 7,229,507	\$ -
Buildings	50,923,435	50,892,727	30,708	-	-	-	50,923,435	50,892,727	30,708
Capital Improvements (other than buildings)	145,206	153,333	(8,127)	-	-	-	145,206	153,333	(8,127)
Machinery & Equipment	1,217,973	838,492	379,481	908,990	736,223	172,767	2,126,963	1,574,715	552,248
Software	44,760	85,744	(40,984)	-	-	-	44,760	85,744	(40,984)
Vehicles	3,001,765	3,300,629	(298,864)	133,326	160,639	(27,313)	3,135,091	3,461,268	(326,177)
Infrastructure	12,792,389	13,048,042	(255,653)	11,977,708	12,361,876	(384,168)	24,770,097	25,409,918	(639,821)
Construction in Progress	10,242,823	3,479,975	6,762,848	4,652,440	686,981	3,965,459	14,895,263	4,166,956	10,728,307
Total Capital Assets	\$84,905,576	\$78,336,167	\$ 6,569,409	\$ 18,364,746	\$ 14,638,001	\$ 3,726,745	\$103,270,322	\$92,974,168	\$ 10,296,154

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, 2013, totaled \$42.41 million. 95.9%, or \$28.19 million, of the \$29.4 million in governmental activity debt is excluded from the limits of proposition 2 ½. Business-type activities have debt of \$13.0 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, 2013	Outstanding June 30, 2012	Increase (Decrease)
School - High School	\$ 8,840,000	\$ 9,360,000	\$ (520,000)
School - Ahern Middle	607,000	682,000	(75,000)
School - Ahern Middle	2,620,000	2,840,000	(220,000)
School Remodeling	77,000	84,000	(7,000)
Public Safety Building	8,040,000	8,679,000	(639,000)
Library Renovation	6,740,000	7,095,000	(355,000)
Fire Engines	138,000	207,000	(69,000)
Senior Center	124,000	163,800	(39,800)
Highway Equipment	35,000	55,000	(20,000)
Land Acquisition - Mill St.	833,000	908,000	(75,000)
Landfill Closure	702,500	812,700	(110,200)
Title V	44,402	55,502	(11,100)
Title V	600,000	600,000	600,000
Total Governmental Activities	\$ 29,400,902	\$ 30,942,002	\$ (1,541,100)
Business-type Activities	Outstanding June 30, 2013	Outstanding June 30, 2012	Increase (Decrease)
Sewer	\$ 125,135	\$ 154,163	\$ (29,028)
Sewer	35,000	40,000	(5,000)
Sewer	507,165	570,037	(62,872)
Sewer	120,000	130,000	(10,000)
Water - Oak St. Treatment Plant	5,510,000	5,800,000	(290,000)
Water - Witch Pond Well	3,548,361	3,734,669	(186,308)
Water - Land Acquisition	-	10,000	(10,000)
Water - Reuse	1,090,000	1,205,000	(115,000)
Water	1,713,500	1,893,500	(180,000)
Water	335,000	363,054	(28,054)
Water	24,678	26,267	(1,589)
Total Business-type Activities	\$ 13,008,839	\$ 13,926,690	\$ (917,851)
Grand Total All Long-Term Debt	\$ 42,409,741	\$ 44,868,692	\$ (2,458,951)

Please refer to **Notes 5 and 9** 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 2014 budget and tax rates including the following:

- The Town was able to balance its \$60.0 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 \$400 thousand reduced reliance on free cash reserves.
- Another significant factor was the estimated amount of local aid from the state for FY '14, which was a net of \$8.4 million, down \$2.4 million on an inflation adjusted basis in FY '14 from the peak FY '01 levels. The result was essentially flat state aid in FY '14, with a modest \$57 thousand increase. Despite the slowed growth of the Town's second largest recurring revenue source (16% of total), the Town's financially engineered "soft landing" from the latest recession has proven to be quite successful over the last five budget cycles. Town services have been both maintained and enhanced over the last five years, including the completion of several major building and infrastructure projects.
- The state passed legislation allowing Massachusetts municipalities to pass a Local Option Meals Tax of 0.75% with 100% of the revenue going to the local municipality. Foxborough enacted this tax 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%. FY 2013 revenues came in at \$819 thousand, or 6% ahead of plan. After three quarters of collections, FY 2014 revenues are on track to meet the full year estimate of \$843.5 thousand.
- 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 '14 the Town committed \$500 thousand of meals tax revenues towards the OPEB liability, bringing the cumulative meals tax funding of the OPEB liability to \$1.2 million. The balance has been committed to road reconstruction projects in support of the Town's recently updated street-by-street pavement management plan.
- The \$1.2 million OPEB funding referenced above was in addition to a \$1.265 million initial down payment the Town voted to fund its OPEB obligation in FY '11 from dormant employee benefits related accounts. The Town is committed to continue to fund this obligation annually on an increasing schedule with the new Meals Tax revenue, as the Town is very close to achieving the goal of funding annually at the annual required contribution (ARC). The Water and Sewer enterprise funds already contribute at the ARC level.
- The Town is pleased to report that its unfunded OPEB liability has dropped by \$21.4 million, from \$52.3 million at the FYE '11 valuation date to \$30.9 million at the FYE '13 valuation date. The originally calculated unfunded liability was \$62.2 million at FYE '09. Therefore the Town has cut this liability in half over the last four years. This reduction is a direct result of the Town's funding schedule, the successful renegotiation of health plan design with all employee groups, as well as the Board of Selectmen's decision to require all retirees to pay the same percentage (50%) of their health premiums regardless of age.
- In light of the slow economic recovery nationwide, which has kept downward pressure on state aid, Town officials have agreed to maintain its healthy Free Cash reserves in order to ensure that services will be maintained throughout the recovery, however long it may take. The Town brought \$1.7 million in uncommitted Free Cash reserves into FY '14. The Town's FY '14 free cash was certified at \$6.1 million, a \$2 million, or 49%, increase over the prior year.
- In support of management's policy objectives, \$150 thousand of free cash was added to permanent stabilization reserves in FY '14, in addition to the \$250 thousand added in FY '13.

- The same developer for the Foxborough based 1.35 million square foot Patriot Place mixed use commercial development on 90.5 acres, and owners of Gillette Stadium, the New England Patriots football team, and the New England Revolution soccer team, the Kraft Group, has previously proposed a technology office park complex, larger than the Patriot Place project in square footage terms, across the street from Patriot Place. This project is still in the planning stages. However, given the current recovering state of the economy, progress is starting to pick up. 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 an accretive impact on the Town's financial condition in future years. We continue to see movement with new commercial development from the Kraft Group, as a new hotel is 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, and starting 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. Invensys was recently acquired in a friendly takeover by Schneider Electric, a global leader in energy management, giving even greater stability to an already solid company.
- The Town is in the process of addressing multiple strategic items. After several years of effort and negotiations, Foxborough has executed a regional sewer pact with surrounding towns. This is a significant positive for the Town on two fronts: 1) It will put significant downward pressure on sewer rates; and even more impactful, 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, that will be accretive to the Town's tax base, while having minimal impact on services.
- 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 '15 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. The Town continued its balanced reliance on "Free Cash" for the operating budget and, as a result, was able to fund its FY '15 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 '15.
- The Town issued no new debt in FY '13 or FY '14, other than its participation in a state subsidized zero interest loan program for the replacement of residential septic systems. \$600 thousand was used under this program by fiscal year end 2013, and fully loaned out to residents at a low 2% interest rate.
- The Board of Selectmen voted during their annual Classification Hearing to split the tax rate for the third 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 2014 at \$17.09 per thousand for business and \$14.99 for residential, a \$1.96 increase for business and \$0.45 increase for residential. These rates brought the tax levy to the allowable levy limit for the 17th consecutive year.
- In FY 2012 the Town converted from semi-annual to quarterly property tax billing. This move has proven to be very successful over the last three years. It has improved the Town's already strong cash flow. This should make it highly unlikely the Town would need to short-term borrow for operating purposes.

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 POSITION
JUNE 30, 2013**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 24,593,135	\$ 7,763,935	\$ 32,357,070
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	386,325	-	386,325
TAX LIENS	897,393	-	897,393
MOTOR VEHICLE EXCISE TAXES	290,570	-	290,570
USER FEES	-	2,300,395	2,300,395
DEPARTMENTAL AND OTHER	890,536	-	890,536
INTERGOVERNMENTAL	1,132,845	-	1,132,845
OTHER ASSETS	32,108	-	32,108
NONCURRENT:			
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	84,905,576	18,364,746	103,270,322
TOTAL ASSETS	113,128,488	28,429,076	141,557,564
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	4,407,658	533,749	4,941,407
OTHER LIABILITIES	18,301	-	18,301
ACCRUED INTEREST	161,585	48,703	210,288
DEFERRED AMOUNT ON REFUNDING	10,350	14,150	24,500
LANDFILL POSTCLOSURE CARE COSTS	37,000	-	37,000
COMPENSATED ABSENCES	521,634	28,716	550,350
CAPITAL LEASES PAYABLE	36,201	-	36,201
BONDS AND NOTES PAYABLE	2,157,601	917,173	3,074,774
NONCURRENT:			
DEFERRED AMOUNT ON REFUNDING	82,800	113,200	196,000
LANDFILL POSTCLOSURE CARE COSTS	555,000	-	555,000
COMPENSATED ABSENCES	924,207	55,089	979,296
POSTEMPLOYMENT BENEFITS	13,418,868	303,651	13,722,519
CAPITAL LEASES PAYABLE	197,612	-	197,612
BONDS AND NOTES PAYABLE	27,243,301	12,091,666	39,334,967
TOTAL LIABILITIES	49,772,118	14,106,097	63,878,215
<u>NET POSITION</u>			
NET INVESTMENT IN CAPITAL ASSETS	56,052,667	7,415,609	63,468,276
RESTRICTED FOR:			
STREETS	507,440	-	507,440
PERMANENT FUNDS:			
EXPENDABLE	172,909	-	172,909
NONEXPENDABLE	172,565	-	172,565
OTHER PURPOSES	6,786,592	-	6,786,592
UNRESTRICTED	(335,803)	6,907,370	6,571,567
TOTAL NET POSITION	\$ 63,356,370	\$ 14,322,979	\$ 77,679,349

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2013**

<u>FUNCTIONS/PROGRAMS</u>	PROGRAM REVENUES				NET (EXPENSE) REVENUE
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 2,227,721	\$ 498,913	\$ 36,538	\$ -	\$ (1,692,270)
PUBLIC SAFETY	7,887,955	2,409,449	239,640	-	(5,238,866)
EDUCATION	34,931,968	1,547,604	11,058,828	195,294	(22,130,242)
PUBLIC WORKS	2,886,848	19,059	20,068	615,850	(2,231,871)
HUMAN SERVICES	982,998	238,477	95,597	-	(648,924)
CULTURE & RECREATION	1,286,083	165,361	808,585	1,038,482	726,345
EMPLOYEE BENEFITS	16,179,901	-	5,495,742	-	(10,684,159)
STATE & COUNTY ASSESSMENTS	349,108	-	-	-	(349,108)
INTEREST	1,116,388	-	-	-	(1,116,388)
TOTAL GOVERNMENTAL ACTIVITIES	67,848,970	4,878,863	17,754,998	1,849,626	(43,365,483)
BUSINESS-TYPE ACTIVITIES:					
WATER	2,949,955	4,254,522	229,538	19,946	1,554,051
SEWER	1,102,002	1,162,598	14,644	56,654	131,894
TOTAL BUSINESS-TYPE ACTIVITIES	4,051,957	5,417,120	244,182	76,600	1,685,945
TOTAL PRIMARY GOVERNMENT	\$ 71,900,927	\$ 10,295,983	\$ 17,999,180	\$ 1,926,226	\$ (41,679,538)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF FOXBOROUGH, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2013**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET POSITION:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (43,365,483)	\$ 1,685,945	\$ (41,679,538)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	37,552,271	-	37,552,271
TAX LIENS	290,561	-	290,561
MOTOR VEHICLE AND OTHER EXCISE TAXES	2,446,151	-	2,446,151
HOTEL/MOTEL TAX	1,934,753	-	1,934,753
PENALTIES AND INTEREST ON TAXES	186,687	-	186,687
PAYMENTS IN LIEU OF TAXES	2,393,417	-	2,393,417
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,203,464	-	1,203,464
UNRESTRICTED INVESTMENT INCOME	102,678	-	102,678
MISCELLANEOUS	93,363	-	93,363
TRANSFERS, NET	580,248	(580,248)	-
TOTAL GENERAL REVENUES AND TRANSFERS	46,783,593	(580,248)	46,203,345
CHANGE IN NET POSITION	3,418,110	1,105,697	4,523,807
NET POSITION:			
BEGINNING OF YEAR	59,938,260	13,217,282	73,155,542
END OF YEAR	\$ 63,356,370	\$ 14,322,979	\$ 77,679,349

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF FOXBOROUGH, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013**

<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	\$ 16,765,155	\$ 1,557,787	\$ 502,333	\$ 5,767,860	\$ 24,593,135
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:					
REAL ESTATE AND PERSONAL PROPERTY TAXES	386,325	-	-	-	386,325
TAX LIENS	897,393	-	-	-	897,393
MOTOR VEHICLE EXCISE TAXES	290,570	-	-	-	290,570
DEPARTMENTAL AND OTHER	22,654	-	-	867,882	890,536
INTERGOVERNMENTAL	-	-	-	1,132,845	1,132,845
OTHER ASSETS	32,108	-	-	-	32,108
TOTAL ASSETS	\$ 18,394,205	\$ 1,557,787	\$ 502,333	\$ 7,768,587	\$ 28,222,912
 <u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
ACCOUNTS PAYABLE	\$ 3,093,413	\$ 1,185,164	\$ -	\$ 129,081	\$ 4,407,658
OTHER LIABILITIES	18,301	-	-	-	18,301
DEFERRED REVENUES	1,492,391	-	-	1,280,437	2,772,828
TOTAL LIABILITIES	4,604,105	1,185,164	-	1,409,518	7,198,787
FUND BALANCES:					
NONSPENDABLE	-	-	-	172,565	172,565
RESTRICTED	714,426	372,623	502,333	6,205,420	7,794,802
COMMITTED	1,562,142	-	-	-	1,562,142
ASSIGNED	3,369,307	-	-	-	3,369,307
UNASSIGNED	8,144,225	-	-	(18,916)	8,125,309
TOTAL FUND BALANCES	13,790,100	372,623	502,333	6,359,069	21,024,125
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,394,205	\$ 1,557,787	\$ 502,333	\$ 7,768,587	\$ 28,222,912

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, 2013**

	<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	\$ 37,772,328	\$ -	\$ -	\$ -	\$ 37,772,328
INTERGOVERNMENTAL	15,554,658	1,038,482	195,294	2,713,833	19,502,267
MOTOR VEHICLE EXCISE TAXES	2,310,277	-	-	-	2,310,277
PAYMENTS IN LIEU OF TAXES	2,370,763	-	-	-	2,370,763
PENALTIES AND INTEREST ON TAXES	186,687	-	-	-	186,687
CHARGES FOR SERVICES	-	-	-	3,084,190	3,084,190
INVESTMENT INCOME	102,678	-	-	4,115	106,793
CONTRIBUTIONS & DONATIONS	-	-	-	863,875	863,875
DEPARTMENTAL AND OTHER	3,689,276	-	-	133,186	3,822,462
TOTAL REVENUES	61,986,667	1,038,482	195,294	6,799,199	70,019,642
EXPENDITURES:					
CURRENT:					
GENERAL GOVERNMENT	2,153,225	-	-	12,114	2,165,339
PUBLIC SAFETY	7,392,408	-	-	202,758	7,595,166
EDUCATION	30,347,968	-	1,419,947	3,667,176	35,435,091
PUBLIC WORKS	2,302,087	-	-	328,315	2,630,402
HUMAN SERVICES	775,342	-	-	213,315	988,657
CULTURE & RECREATION	914,875	6,762,848	-	360,680	8,038,403
EMPLOYEE BENEFITS	15,155,652	-	-	94,564	15,250,216
STATE & COUNTY ASSESSMENTS	349,108	-	-	-	349,108
DEBT SERVICE					
PRINCIPAL	2,130,000	-	-	11,100	2,141,100
INTEREST	1,134,188	-	-	3,105	1,137,293
TOTAL EXPENDITURES	62,654,853	6,762,848	1,419,947	4,893,127	75,730,775
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(668,186)	(5,724,366)	(1,224,653)	1,906,072	(5,711,133)
OTHER FINANCING SOURCES (USES)					
PROCEEDS FROM CAPITAL LEASE	276,889	-	-	-	276,889
PROCEEDS FROM BONDS AND NOTES	-	-	-	600,000	600,000
OPERATING TRANSFERS IN	2,345,717	-	125,000	168,319	2,639,036
OPERATING TRANSFERS OUT	(325,952)	-	-	(1,732,836)	(2,058,788)
TOTAL OTHER FINANCING SOURCES (USES)	2,296,654	-	125,000	(964,517)	1,457,137
NET CHANGE IN FUND BALANCES	1,628,468	(5,724,366)	(1,099,653)	941,555	(4,253,996)
FUND BALANCES AT BEGINNING OF YEAR	12,161,632	6,096,989	1,601,986	5,417,514	25,278,121
FUND BALANCES AT END OF YEAR	\$ 13,790,100	\$ 372,623	\$ 502,333	\$ 6,359,069	\$ 21,024,125

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 21,024,125
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		84,905,576
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		2,772,828
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(161,585)
LONG-TERM LIABILITIES ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE GOVERNMENTAL FUNDS		
BONDS AND NOTES PAYABLE	(29,400,902)	
CAPITAL LEASES PAYABLE	(233,813)	
DEFERRED AMOUNT ON REFUNDING	(93,150)	
COMPENSATED ABSENCES	(1,445,841)	
POSTEMPLOYMENT BENEFITS	(13,418,868)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(592,000)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(45,184,574)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 63,356,370</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, 2013**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (4,253,996)

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	9,828,608	
DEPRECIATION EXPENSE	<u>(3,259,199)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		6,569,409

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

667,190

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 CAPITAL LEASES	(276,889)	
PROCEEDS FROM BONDS AND NOTES	(600,000)	
CAPITAL LEASE PAYMENTS	43,076	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>2,141,100</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		1,307,287

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	(175,574)	
NET CHANGE IN POSTEMPLOYMENT BENEFITS ACCRUAL	(754,111)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	37,000	
NET CHANGE IN DEFERRED AMOUNT ON REFUNDING	10,350	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>10,555</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>(871,780)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 3,418,110

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, 2013**

	<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	\$ 37,695,831	\$ 37,695,831	\$ 37,772,328	\$ 76,497
MOTOR VEHICLE EXCISE TAXES	2,100,000	2,100,000	2,310,277	210,277
PENALTIES & INTEREST ON TAXES	162,000	162,000	186,687	24,687
INTERGOVERNMENTAL	10,198,538	10,198,538	10,143,137	(55,401)
PAYMENTS IN LIEU OF TAXES	1,330,000	1,330,000	2,370,763	1,040,763
INVESTMENT INCOME	50,000	50,000	85,352	35,352
DEPARTMENTAL AND OTHER	2,811,256	2,811,256	3,689,276	878,020
TOTAL REVENUES	<u>54,347,625</u>	<u>54,347,625</u>	<u>56,557,820</u>	<u>2,210,195</u>
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	2,605,392	2,569,148	2,496,344	72,804
PUBLIC SAFETY	7,959,998	8,105,998	8,042,989	63,009
EDUCATION	30,812,533	30,812,533	30,606,327	206,206
PUBLIC WORKS	2,094,683	2,148,471	2,425,070	(276,599)
HUMAN SERVICES	769,862	792,689	775,342	17,347
CULTURE & RECREATION	1,079,600	1,079,881	926,980	152,901
EMPLOYEE BENEFITS	9,983,416	9,900,523	9,741,414	159,109
STATE & COUNTY ASSESSMENTS	343,185	343,185	349,108	(5,923)
DEBT SERVICE:				
PRINCIPAL	2,150,000	2,150,000	2,130,000	20,000
INTEREST	1,143,252	1,143,252	1,092,448	50,804
TOTAL EXPENDITURES	<u>58,941,921</u>	<u>59,045,680</u>	<u>58,586,022</u>	<u>459,658</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,594,296)</u>	<u>(4,698,055)</u>	<u>(2,028,202)</u>	<u>2,669,853</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	1,971,958	2,332,958	2,345,717	12,759
OPERATING TRANSFERS OUT	(100,000)	(281,500)	(325,952)	(44,452)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,871,958</u>	<u>2,051,458</u>	<u>2,019,765</u>	<u>(31,693)</u>
NET CHANGE IN FUND BALANCE	(2,722,338)	(2,646,597)	(8,437)	2,638,160
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	8,216,951	8,216,951	8,216,951	-
BUDGETARY FUND BALANCE, END OF YEAR	<u>\$ 5,494,613</u>	<u>\$ 5,570,354</u>	<u>\$ 8,208,514</u>	<u>\$ 2,638,160</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2013**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER	SEWER	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 6,894,233	\$ 869,702	\$ 7,763,935
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	1,654,187	646,208	2,300,395
TOTAL CURRENT ASSETS	<u>8,548,420</u>	<u>1,515,910</u>	<u>10,064,330</u>
NONCURRENT:			
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	16,797,555	1,567,191	18,364,746
TOTAL ASSETS	<u>25,345,975</u>	<u>3,083,101</u>	<u>28,429,076</u>
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	320,734	213,015	533,749
ACCRUED INTEREST	48,505	198	48,703
DEFERRED AMOUNT ON REFUNDING	14,150	-	14,150
COMPENSATED ABSENCES	25,844	2,872	28,716
BONDS AND NOTES PAYABLE	805,226	111,947	917,173
TOTAL CURRENT LIABILITIES	<u>1,214,459</u>	<u>328,032</u>	<u>1,542,491</u>
NONCURRENT:			
DEFERRED AMOUNT ON REFUNDING	113,200	-	113,200
COMPENSATED ABSENCES	49,580	5,509	55,089
POSTEMPLOYMENT BENEFITS	227,938	75,713	303,651
BONDS AND NOTES PAYABLE	11,416,313	675,353	12,091,666
TOTAL NONCURRENT LIABILITIES	<u>11,807,031</u>	<u>756,575</u>	<u>12,563,606</u>
TOTAL LIABILITIES	<u>13,021,490</u>	<u>1,084,607</u>	<u>14,106,097</u>
<u>NET POSITION</u>			
NET INVESTMENT IN CAPITAL ASSETS	6,612,801	802,808	7,415,609
UNRESTRICTED	5,711,684	1,195,686	6,907,370
TOTAL NET POSITION	<u>\$ 12,324,485</u>	<u>\$ 1,998,494</u>	<u>\$ 14,322,979</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 FISCAL YEAR ENDED JUNE 30, 2013**

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
<u>OPERATING REVENUES:</u>			
CHARGES FOR SERVICES	\$ 4,254,522	\$ 1,162,598	\$ 5,417,120
DEPARTMENTAL AND OTHER	218,411	12,735	231,146
TOTAL OPERATING REVENUES	<u>4,472,933</u>	<u>1,175,333</u>	<u>5,648,266</u>
<u>OPERATING EXPENSES:</u>			
GENERAL SERVICES	1,990,069	1,000,258	2,990,327
DEPRECIATION	498,751	57,540	556,291
TOTAL OPERATING EXPENSES	<u>2,488,820</u>	<u>1,057,798</u>	<u>3,546,618</u>
OPERATING INCOME (LOSS)	<u>1,984,113</u>	<u>117,535</u>	<u>2,101,648</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
INTERGOVERNMENTAL	19,946	56,654	76,600
INVESTMENT INCOME	11,127	1,909	13,036
INTEREST EXPENSE	(461,135)	(44,204)	(505,339)
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	<u>(430,062)</u>	<u>14,359</u>	<u>(415,703)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>1,554,051</u>	<u>131,894</u>	<u>1,685,945</u>
<u>OPERATING TRANSFERS:</u>			
OPERATING TRANSFERS IN	32,634	-	32,634
OPERATING TRANSFERS OUT	(538,796)	(74,086)	(612,882)
TOTAL OPERATING TRANSFERS	<u>(506,162)</u>	<u>(74,086)</u>	<u>(580,248)</u>
CHANGE IN NET POSITION	1,047,889	57,808	1,105,697
NET POSITION AT BEGINNING OF YEAR	11,276,596	1,940,686	13,217,282
NET POSITION AT END OF YEAR	<u>\$ 12,324,485</u>	<u>\$ 1,998,494</u>	<u>\$ 14,322,979</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FISCAL YEAR ENDED JUNE 30, 2013**

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
RECEIPTS FROM CUSTOMERS AND USERS	\$ 4,523,037	\$ 1,105,104	\$ 5,628,141
PAYMENTS TO SUPPLIERS	(1,092,709)	(692,361)	(1,785,070)
PAYMENTS TO EMPLOYEES	(901,606)	(78,036)	(979,642)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,528,722</u>	<u>334,707</u>	<u>2,863,429</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
OPERATING TRANSFERS IN (OUT)	<u>(506,162)</u>	<u>(74,086)</u>	<u>(580,248)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(804,839)	(77,762)	(882,601)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(4,229,297)	(24,367)	(4,253,664)
INTEREST EXPENSE	<u>(466,915)</u>	<u>(16,703)</u>	<u>(483,618)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(5,501,051)</u>	<u>(118,832)</u>	<u>(5,619,883)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
INTEREST RECEIVED	<u>11,127</u>	<u>1,909</u>	<u>13,036</u>
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	(3,467,364)	143,698	(3,323,666)
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	<u>10,361,597</u>	<u>726,004</u>	<u>11,087,601</u>
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	<u>\$ 6,894,233</u>	<u>\$ 869,702</u>	<u>\$ 7,763,935</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>			
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>			
OPERATING INCOME (LOSS)	<u>\$ 1,984,113</u>	<u>\$ 117,535</u>	<u>\$ 2,101,648</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
DEPRECIATION	498,751	57,540	556,291
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	50,105	(70,229)	(20,124)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(5,377)	210,903	205,526
INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE	390	43	433
INCREASE (DECREASE) IN POSTEMPLOYMENT BENEFITS	<u>740</u>	<u>18,915</u>	<u>19,655</u>
TOTAL ADJUSTMENTS	<u>544,609</u>	<u>217,172</u>	<u>761,781</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,528,722</u>	<u>\$ 334,707</u>	<u>\$ 2,863,429</u>

See accompanying notes to the basic financial statements

TOWN OF FOXBOROUGH, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2013

	POSTEMPLOYMENT BENEFITS TRUST	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
<u>ASSETS</u>			
CASH AND SHORT-TERM INVESTMENTS	\$ 33,741	\$ 25,745	\$ 462,158
INVESTMENTS	2,810,082	79,193	-
DEPARTMENTAL	-	-	748,438
TOTAL ASSETS	2,843,823	104,938	1,210,596
<u>LIABILITIES</u>			
OTHER LIABILITIES	-	-	1,210,596
<u>NET POSITION</u>			
HELD IN TRUST FOR PLAN PARTICIPANTS	2,843,823	-	-
HELD IN TRUST FOR OTHER PURPOSES	-	104,938	-
TOTAL	\$ 2,843,823	\$ 104,938	\$ -

See accompanying notes to the basic financial statements

TOWN OF FOXBOROUGH, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FISCAL YEAR ENDED JUNE 30, 2013

	POSTEMPLOYMENT BENEFITS TRUST	PRIVATE PURPOSE TRUST FUNDS
<u>ADDITIONS:</u>		
CONTRIBUTIONS:		
DEPARTMENTAL	\$ 577,913	\$ -
NET INVESTMENT INCOME (LOSS):		
INVESTMENT INCOME	209,935	3,402
TOTAL ADDITIONS	787,848	3,402
<u>DEDUCTIONS:</u>		
EDUCATIONAL SCHOLARSHIPS	-	300
CHANGE IN NET POSITION	787,848	3,102
NET POSITION AT BEGINNING OF YEAR	2,055,975	101,836
NET POSITION AT END OF YEAR	\$ 2,843,823	\$ 104,938

See accompanying notes to the basic financial statements

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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	\$ 288,566

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, 2013

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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, capital lease, landfill postclosure 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, 2013

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 library.
- The *Nonmajor Governmental funds* consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:
 - The *Special Revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
 - The *Capital Projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and trust funds).
 - The *Permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary Fund Financial Statements

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

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

The following major proprietary funds are reported:

- The *Water Enterprise fund* is used to account for water activities.
- The *Sewer Enterprise fund* is used to account for sewer activities.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013

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.

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

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
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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 position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

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

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 position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

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

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.

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K. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position are classified into three components:

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

Net position have been “restricted” for the following:

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

Fund Financial Statements (Fund Balances)

The Town uses the following criteria for fund balance classification:

- For *nonspendable* fund balance: includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- 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
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- 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 position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

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

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
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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 position. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date (vesting method).

Governmental Fund Financial Statements

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2013 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
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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 2013 approved budget authorized \$58,272,861 in current year appropriations and other amounts to be raised and \$669,060 in articles carried forward from previous fiscal years. Supplemental appropriations of \$103,759 were approved at two Town Meetings for fiscal year 2013.

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, 2013, is presented below:

Net change in fund balance - budgetary basis	\$	(8,437)
Basis of accounting differences:		
Net stabilization fund activity		17,326
Increase in revenue for on-behalf payments - MTRS		5,411,521
Increase in expenditures for on-behalf payments - MTRS		(5,411,521)
Adjustment for Current Year Encumbrances		566,912
Adjustment for Current Year Articles		1,562,142
Adjustment for expenditures from prior year encumbrances		<u>(509,475)</u>
Net change in fund balance - GAAP basis	\$	<u>1,628,468</u>

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2013, actual expenditures exceeded appropriations for the snow and ice expenditures account. These over-expenditures will be funded by available funds during fiscal year 2014, as is allowed by Massachusetts General Laws (MGL).

TOWN OF FOXBOROUGH, MASSACHUSETTS
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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 2014.

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

The following table illustrates how much of the Town’s bank deposits are insured, and how much of the Town’s bank deposits are uninsured, uncollateralized, or collateral held by the pledging bank’s trust department not in the Town’s name as of June 30, 2013:

Total bank balances		<u>\$ 30,710,543</u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	2,104,391	
Depositor’s Insurance Fund (DIF)	5,374,158	
Shared Insurance Fund (SIF)	<u>5,596,002</u>	
Total bank balances covered by deposit insurance		13,074,552
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	6,869,326	
Bank balances uninsured & uncollateralized	<u>10,766,665</u>	
Total bank balances subject to custodial credit risk		<u>17,635,991</u>
Total bank balances		<u>\$ 30,710,543</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
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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 year end for each investment type of the Town.

Investment type	Fair value	Minimum Legal Rating	Rating as of Year End					Unrated
			AA+	AA	AA-	A	A-	
Corporate Bonds	\$ 365,164	N/A	\$ 56,547	\$ 48,056	\$ 55,085	\$ 151,366	\$ 54,110	\$ -
Common Stock	103,757	N/A	-	-	-	-	-	103,757
Fixed income mutual funds	1,064,476	N/A	-	-	-	-	-	1,064,476
Equity mutual funds	1,326,183	N/A	-	-	-	-	-	1,326,183
Money market mutual funds	29,695	N/A	-	-	-	-	-	29,695
Total Investments	\$ 2,889,275		\$ 56,547	\$ 48,056	\$ 55,085	\$ 151,366	\$ 54,110	\$ 2,524,111

- *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. 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.

TOWN OF FOXBOROUGH, MASSACHUSETTS
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- *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	\$ 365,164	\$ -	\$ 212,020	\$ 153,144
Fixed Income Mutual Funds	1,064,476	1,064,476	-	-
Total - Debt related securities	1,429,640	1,064,476	212,020	153,144
<i>Other Investments:</i>				
Equity mutual funds	1,326,183	1,326,183	-	-
Money market mutual funds	29,695	29,695	-	-
Common Stock	103,757	103,757	-	-
Total Other Investments	1,459,635	1,459,635	-	-
Total Investments	\$ 2,889,275	\$ 2,524,111	\$ 212,020	\$ 153,144

- *Concentration of Credit Risk*

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

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 – RECEIVABLES

The receivables at June 30, 2013 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	\$ 350,236	\$ -	\$ 350,236
Personal property taxes	136,189	(100,100)	36,089
Real estate and personal property taxes	486,425	(100,100)	386,325
Tax liens	897,393	-	897,393
Motor vehicle excise taxes	340,970	(50,400)	290,570
Departmental and other	2,343,615	(704,641)	1,638,974
Intergovernmental	1,132,845	-	1,132,845
Total	\$ 5,201,248	\$ (855,141)	\$ 4,346,107

The receivables at June 30, 2013, for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water</i>			
User fees	\$ 1,654,187	\$ -	\$ 1,654,187
<i>Sewer</i>			
User fees	646,208	-	646,208
Total	\$ 2,300,395	\$ -	\$ 2,300,395

TOWN OF FOXBOROUGH, MASSACHUSETTS
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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	\$ 281,774	\$ -	\$ 281,774
Tax Liens	897,393	-	897,393
Motor vehicle excise taxes	290,570	-	290,570
Departmental and other	22,654	772,997	795,651
Intergovernmental	-	507,440	507,440
Total	\$ 1,492,391	\$ 1,280,437	\$ 2,772,828

TOWN OF FOXBOROUGH, MASSACHUSETTS
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NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases & Reclassifications	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 6,537,225	\$ -	\$ -	\$ 6,537,225
Construction in progress	3,479,975	6,762,848	-	10,242,823
Total capital assets not being depreciated	<u>10,017,200</u>	<u>6,762,848</u>	<u>-</u>	<u>16,780,048</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	78,249,410	1,714,568	-	79,963,978
Capital improvements (other than buildings)	278,472	8,206	-	286,678
Machinery and equipment	3,155,120	744,695	-	3,899,815
Vehicles	9,680,834	382,184	(103,761)	9,959,257
Software	578,636	18,019	-	596,655
Infrastructure	19,848,685	301,849	-	20,150,534
Total capital assets being depreciated	<u>111,791,157</u>	<u>3,169,521</u>	<u>(103,761)</u>	<u>114,856,917</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(27,356,683)	(1,683,859)	-	(29,040,542)
Capital improvements (other than buildings)	(125,139)	(16,333)	-	(141,472)
Machinery and equipment	(2,316,628)	(365,214)	-	(2,681,842)
Vehicles	(6,380,205)	(681,049)	103,761	(6,957,493)
Software	(492,892)	(59,003)	-	(551,895)
Infrastructure	(6,800,643)	(557,502)	-	(7,358,145)
Total accumulated depreciation	<u>(43,472,190)</u>	<u>(3,362,960)</u>	<u>103,761</u>	<u>(46,731,389)</u>
Total capital assets being depreciated, net	<u>68,318,967</u>	<u>(193,439)</u>	<u>-</u>	<u>68,125,528</u>
Total governmental activities capital assets, net	<u>\$ 78,336,167</u>	<u>\$ 6,569,409</u>	<u>\$ -</u>	<u>\$ 84,905,576</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
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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	686,980	3,965,459	-	4,652,439
Total capital assets not being depreciated	<u>1,379,262</u>	<u>3,965,459</u>	<u>-</u>	<u>5,344,721</u>
<i>Capital assets being depreciated:</i>				
Machinery and equipment	1,020,663	293,210	-	1,313,873
Vehicles	349,526	-	-	349,526
Infrastructure	<u>17,777,251</u>	<u>24,367</u>	<u>-</u>	<u>17,801,618</u>
Total capital assets being depreciated	<u>19,147,440</u>	<u>317,577</u>	<u>-</u>	<u>19,465,017</u>
<i>Less accumulated depreciation for:</i>				
Machinery and equipment	(284,440)	(120,443)	-	(404,883)
Vehicles	(188,886)	(27,314)	-	(216,200)
Infrastructure	<u>(5,415,375)</u>	<u>(408,534)</u>	<u>-</u>	<u>(5,823,909)</u>
Total accumulated depreciation	<u>(5,888,701)</u>	<u>(556,291)</u>	<u>-</u>	<u>(6,444,992)</u>
Total capital assets being depreciated, net	<u>13,258,739</u>	<u>(238,714)</u>	<u>-</u>	<u>13,020,025</u>
Total business-type activities capital assets, net	<u>\$ 14,638,001</u>	<u>\$ 3,726,745</u>	<u>\$ -</u>	<u>\$ 18,364,746</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 92,967
Public safety	812,610
Education	1,693,324
Public works	730,279
Human services	20,636
Culture and recreation	13,144
Total depreciation expense - governmental activities	\$ 3,362,960

Business-Type Activities:	
Water	\$ 498,751
Sewer	57,540
Total depreciation expense - business-type activities	\$ 556,291

Construction Commitments

The Town has one active major fund construction project for the renovation of the library as of June 30, 2013. At year end the Town's project commitments for the various contractors are as follows:

Project	Spent to Date	Remaining Commitments
Library Renovations	\$ 8,119,965	\$ 29,516

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 6 – CAPITAL LEASE

The Town has entered into a lease agreement as lessee for financing the acquisition of fire department equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through the capital lease is as follows:

	<u>Governmental Activities</u>
Assets:	
Machinery and Equipment	\$ 276,920
Less: Accumulated depreciation	<u>(9,231)</u>
	<u><u>\$ 267,689</u></u>

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2013, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2014	\$ 43,075
2015	43,076
2016	43,075
2017	43,076
2018	43,075
2019	<u>43,076</u>
Total minimum lease payments	258,453
Less: amounts representing interest	<u>(24,640)</u>
Present value of minimum lease payments	<u><u>\$ 233,813</u></u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:				Total	
	General Fund	High School Project Major Fund	Nonmajor Governmental Funds	Water Enterprise Fund		
Nonmajor Governmental Funds	\$ 1,732,835	\$ -	\$ -	\$ 1	\$ 1,732,836	(1)
General Fund	-	125,000	156,500	-	281,500	(1)
General Fund	-	-	11,819	32,633	44,452	(3)
Water Enterprise Fund	538,796	-	-	-	538,796	(2)
Sewer Enterprise Fund	74,086	-	-	-	74,086	(2)
Total	\$ 2,345,717	\$ 125,000	\$ 168,319	\$ 32,634	\$ 2,671,670	

(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, 2013

NOTE 8 – 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, 2013:

<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2012</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2013</u>
Governmental Funds:						
Septic Loan Program	0.00%	advance	<u>\$ 598,286</u>	<u>\$ -</u>	<u>\$ (598,286)</u>	<u>\$ -</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 – 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, 2013:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
High School renovation	3.35	\$ 9,360,000	\$ -	\$ 520,000	\$ 8,840,000
Library renovation	2.79	7,095,000	-	355,000	6,740,000
Title V	0.00	-	600,000	-	600,000
Title V	0.00	55,502	-	11,100	44,402
Landfill Closure	1.21	812,700	-	110,200	702,500
Senoir Center	1.21	163,800	-	39,800	124,000
School - Ahern Middle	1.21	682,000	-	75,000	607,000
Land Acquisition - Mill St.	1.21	908,000	-	75,000	833,000
School & Vehicles	3.84	2,924,000	-	227,000	2,697,000
Public Safety/Fire engines	3.84	5,511,000	-	483,000	5,028,000
Public Safety Building	4.02	3,375,000	-	225,000	3,150,000
Public Works	3.84	55,000	-	20,000	35,000
Total		\$ 30,942,002	\$ 600,000	\$ 2,141,100	\$ 29,400,902

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2013 are as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 2,157,601	\$ 1,038,587	\$ 3,196,188
2015	2,146,100	968,013	3,114,113
2016	2,061,101	898,699	2,959,800
2017	2,056,100	826,337	2,882,437
2018	2,000,000	752,600	2,752,600
2019-2023	9,635,000	2,662,400	12,297,400
2024-2028	6,740,000	1,032,219	7,772,219
2029-2033	2,605,000	170,375	2,775,375
Total	\$ 29,400,902	\$ 8,349,230	\$ 37,750,132

Bonds and Notes Payable Schedule - Water and Sewer Enterprise Funds

Project	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Sewer	Var.	\$ 154,163	\$ -	\$ 29,028	\$ 125,135
Sewer	Var.	40,000	-	5,000	35,000
Sewer	Var.	570,037	-	62,872	507,165
Sewer	3.86	130,000	-	10,000	120,000
Water		5,800,000	-	290,000	5,510,000
Water	2.00	3,734,669	-	186,308	3,548,361
Land Acquisition - Water	2.77	10,000	-	10,000	-
Water Reuse	1.21	1,205,000	-	115,000	1,090,000
Water	1.21	1,893,500	-	180,000	1,713,500
Water	Var.	363,054	-	28,054	335,000
Water	Var.	26,267	-	1,589	24,678
Total		\$ 13,926,690	\$ -	\$ 917,851	\$ 13,008,839

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2013 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 917,173	\$ 414,515	\$ 1,331,688
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	903,651	291,711	1,195,362
2019-2023	4,330,210	973,831	5,304,041
2024-2028	2,680,938	431,543	3,112,481
2029-2032	1,416,572	108,416	1,524,988
Total	<u>\$ 13,008,839</u>	<u>\$ 3,294,994</u>	<u>\$ 16,303,833</u>

Loans Authorized and Unissued

As of June 30, 2013, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Conservation - Land Acquisition	5/13/1986	\$ 130,000
Water - Land Acquisition	5/14/1990	70,000
Design, Construct, & Equip Water Treatment Facility	5/10/2010	<u>817,398</u>
Total		<u>\$ 1,017,398</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, 2013

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

<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	\$ 30,942,002	\$ 600,000	\$ (2,141,100)	\$ 29,400,902	\$ 2,157,601
Compensated absences	1,270,267	175,574	-	1,445,841	521,634
Postemployment Benefits	12,664,757	754,111	-	13,418,868	-
Capital lease	-	276,889	(43,076)	233,813	36,201
Landfill postclosure care costs	629,000	-	(37,000)	592,000	37,000
 Total governmental activities long-term liabilities	 <u>\$ 45,506,026</u>	 <u>\$ 1,806,574</u>	 <u>\$ (2,221,176)</u>	 <u>\$ 45,091,424</u>	 <u>\$ 2,752,436</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	\$ 13,926,690	\$ -	\$ (917,851)	\$ 13,008,839	\$ 917,173
Compensated absences	83,371	434	-	83,805	28,716
Postemployment Benefits	283,996	19,655	-	303,651	-
 Total business-type activities long-term liabilities	 <u>\$ 14,294,057</u>	 <u>\$ 20,089</u>	 <u>\$ (917,851)</u>	 <u>\$ 13,396,295</u>	 <u>\$ 945,889</u>

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013:

<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>\$ 12,860,000</u>	2.509%	<u>\$ 322,657</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, 2013, the total amount of conduit debt outstanding was \$45,170,000.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

	GENERAL FUND	LIBRARY MAJOR FUND	HIGH SCHOOL RENOVATION MAJOR FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
Fund Balances					
Nonspendable:					
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ 172,565	\$ 172,565
Restricted For:					
General Government	-	-	-	227,569	227,569
Public Safety	-	-	-	1,176,529	1,176,529
Education	-	-	502,333	1,851,709	2,354,042
Public Works	-	-	-	88,240	88,240
Human Services	-	-	-	303,766	303,766
Culture & Recreation	-	372,623	-	1,129,013	1,501,636
Employee Benefits	-	-	-	1,255,685	1,255,685
Debt Service	714,426	-	-	-	714,426
Expendable Trust Funds	-	-	-	172,909	172,909
	<u>714,426</u>	<u>372,623</u>	<u>502,333</u>	<u>6,205,420</u>	<u>7,794,802</u>
Committed To:					
Continuing Appropriations					
General Government	331,837	-	-	-	331,837
Public Safety	903,299	-	-	-	903,299
Education	266,794	-	-	-	266,794
Public Works	59,812	-	-	-	59,812
Culture & Recreation	400	-	-	-	400
	<u>1,562,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,562,142</u>
Assigned To:					
Encumbered For:					
General Government	77,115	-	-	-	77,115
Public Safety	43,101	-	-	-	43,101
Education	383,846	-	-	-	383,846
Public Works	63,172	-	-	-	63,172
Culture & Recreation	11,705	-	-	-	11,705
Employee Benefits	32,271	-	-	-	32,271
Subsequent Years Expenditures	2,208,564	-	-	-	2,208,564
Capital Stabilization Fund	549,533	-	-	-	549,533
	<u>3,369,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,369,307</u>
Unassigned					
General Fund	5,105,059	-	-	-	5,105,059
General Fund Stabilization	3,039,166	-	-	-	3,039,166
Nonmajor Governmental Funds	-	-	-	(8,855)	(8,855)
Capital Projects	-	-	-	-	-
Public Works	-	-	-	(10,061)	(10,061)
	<u>8,144,225</u>	<u>-</u>	<u>-</u>	<u>(18,916)</u>	<u>8,125,309</u>
Total Governmental Fund Balances	<u>\$ 13,790,100</u>	<u>\$ 372,623</u>	<u>\$ 502,333</u>	<u>\$ 6,359,069</u>	<u>\$ 21,024,125</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 11 – STABILIZATION FUNDS

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

- *The Stabilization Fund* is used to account for any appropriation, as approved by a 2/3 vote at the annual or special town meeting for additions or reductions to the fund. Any interest shall be added to and become part of the fund. The Stabilization fund balance is \$3,039,166 as of June 30, 2013. The fund was established under chapter 40, sub-section 5B of the Massachusetts General Law.
- *The Capital Improvements Stabilization Fund* is used to account for appropriations funding the acquisition, repair, replacement, extension, reconstruction, enlarging and/or additions to capital equipment, vehicles, and apparatus of the Town and pay notes, bonds, or certificates of indebtedness issued to pay for the cost of such acquisition, repair, replacement, extension, reconstruction, enlarging and additions. The Capital Improvements Stabilization fund balance is \$549,533 as of June 30, 2013. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established under Chapter 40 sub-section 5B of MGL.

NOTE 12 – 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 2013.

The Town has several contributory health care options. There are 705 employees and retirees who participate in the Town's health care programs. The Town contributes 50% of the costs for the full indemnity plan and supplementary Medicare insurance. The Town contributes 70% of the costs for managed care costs and 50 % of the costs for retirees not eligible for medicare.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 13. 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 2013, the estimated total Town premiums plus implicit costs for the retiree medical program are \$1,142,492.

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)	\$	3,889,148
Interest on Net OPEB Obligation		744,553
ARC Adjustment		(865,896)
Amortization of Actuarial (Gains)/Losses		<u>(1,273,631)</u>
Annual OPEB Cost (expense)		2,494,174
Contributions made		<u>(1,720,408)</u>
Increase in net OPEB obligation		773,766
Net OPEB Obligation - beginning of year		<u>12,948,753</u>
Net OPEB Obligation - end of year	\$	<u><u>13,722,519</u></u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the four preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Increase in Net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 5,095,788	21.31%	\$ 4,009,801	\$ 4,009,801
6/30/2010	\$ 5,393,311	47.09%	\$ 2,853,492	\$ 6,863,293
6/30/2011	\$ 4,655,786	40.65%	\$ 2,763,011	\$ 9,626,304
6/30/2012	\$ 4,964,542	33.08%	\$ 3,322,449	\$ 12,948,753
6/30/2013	\$ 2,494,174	68.98%	\$ 773,766	\$ 13,722,519

Funded Status and Funding Progress. As of June 30, 2013, the most recent actuarial valuation date, the plan was 8.35% funded. The actuarial accrued liability for benefits was \$33.732 million, and the actuarial value of assets was \$2.816 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$30.916 million. The covered payroll (annual payroll of active employees covered by the plan) was \$34.779 million, and the ratio of the UAAL to the covered payroll was 88.90%.

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, 2013, actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, the normal cost and actuarial liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ratio of past service to total service. The actuarial assumptions included a 5.75% 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 6.00% percent graded down to 5.00% over two 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, 2013, was 25 years.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 14 – PENSION PLANS

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, 2013, 2012, and 2011 were \$2,492,582, \$2,375,116, and \$2,201,277, 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 \$5,411,521 for fiscal year 2013. 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, 2013

NOTE 15 – 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, 2013, 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 (18 years remaining), and the estimated liability has been recorded in the Statement of Net Position, Governmental Activities. The \$592,000 reported as landfill post-closure liability at June 30, 2013 is based on what it would cost to perform all post-closure care costs at June 30, 2013. 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, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2013.

NOTE 16 – MAJOR FUND RECLASSIFICATION AND PRIOR PERIOD ADJUSTMENT

The Sanitation enterprise fund was reclassified to the non-major governmental fund for the fiscal year ended June 30, 2013. The Town discontinued the administration of the trash collection operations. A prior period adjustment was also made to restate septic special assessments receivable. The schedule below displays the effect of these reclassifications on the beginning fund balances.

Description	Primary Government		Non-Major Governmental Funds	Non-Major Enterprise Funds
	Governmental Activities	Business-type Activities		
Balances at June 30, 2012, as previously reported	\$ 60,235,635	\$ 13,518,193	\$ 5,149,521	\$ 300,911
To Reclassify the Non-Major Sanitation Enterprise Fund to the NonMajor Governmental Funds				
Equity - modified accrual	300,911	(300,911)	-	(300,911)
Equity - full accrual	-	-	267,993	-
To Restate Septic Special Assesments Receivable	(598,286)	-	-	-
	<u>\$ 59,938,260</u>	<u>\$ 13,217,282</u>	<u>\$ 5,417,514</u>	<u>\$ -</u>
Balances at June 30, 2012, as restated	<u>\$ 59,938,260</u>	<u>\$ 13,217,282</u>	<u>\$ 5,417,514</u>	<u>\$ -</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2013, the following GASB pronouncements were implemented:

The GASB issued **Statement #60**, *Accounting and Financial Reporting for Service Concession Arrangements*, was implemented in fiscal year 2013. Management believes that this pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #61**, *The Financial Reporting Entity: Omnibus*, was implemented in fiscal year 2013. Management believes that this pronouncement requires no additional disclosure and will 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*, was implemented in fiscal year 2013. Management believes that this pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #63**, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was implemented in fiscal year 2013. Management believes that this pronouncement requires no additional disclosure and will not impact the basic financial statements.

Future GASB Pronouncements:

The GASB issued **Statement #65**, *Items previously reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

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. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #67**, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2014. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

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's current assessment is that this pronouncement will have a significant impact on the basic financial statements.

**TOWN OF FOXBOROUGH, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
NORFOLK COUNTY REGIONAL RETIREMENT SYSTEM
JUNE 30, 2013**

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

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
1/1/2012	\$ 608,235,096	\$ 1,128,960,288	\$ 520,725,192	53.9%	\$229,095,409	227.3%
1/1/2010	600,790,835	1,001,881,055	401,090,220	60.0%	223,332,595	179.6%
1/1/2008	596,157,147	907,719,124	311,561,977	65.7%	223,814,977	139.2%
1/1/2007	533,077,948	855,677,413	322,599,465	62.3%	219,620,865	146.9%
1/1/2005	467,186,566	762,900,650	295,714,084	61.2%	196,639,163	150.4%
1/1/2003	415,150,776	675,275,257	260,124,481	61.5%	185,281,985	140.4%
1/1/2000	371,646,793	533,959,970	162,313,177	69.6%	163,542,978	99.2%
1/1/1997	258,771,070	392,463,080	133,692,010	65.9%	126,219,194	105.9%
1/1/1993	151,546,609	291,472,940	139,926,331	52.0%	107,482,975	130.2%

Schedule of Employer Contributions

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2013**

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%
6/30/2013	\$ 2,816,337	\$ 33,731,851	\$ 30,915,514	8.35%	\$ 34,778,502	88.9%

Schedule of Employer Contributions:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed *	Increase in OPEB Obligation	Net OPEB Obligation
2009	\$ 5,095,788	21.31%	\$ 4,009,801	\$ 4,009,801
2010	\$ 5,393,311	47.09%	\$ 6,863,293	\$ 6,863,293
2011	\$ 4,655,786	40.65%	\$ 2,763,011	\$ 9,626,304
2012	\$ 4,964,542	33.08%	\$ 3,322,449	\$ 12,948,753
2013	\$ 2,494,174	68.98%	\$ 773,766	\$ 13,722,519

* 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, 2013
Discount Rate	5.75%
Medical Trend	5.0 %
Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level dollar amount over 30 years at transition
Remaining Amortization Period	25
Mortality	RP-2000 Table for males RP-2000 Table for females

**TOWN OF FOXBOROUGH, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2013**

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	300
Current active members/participants	<u>596</u>
Total	<u><u>896</u></u>