

**TOWN OF FOXBOROUGH, MASSACHUSETTS**

**REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Board of Selectmen  
Town of Foxborough, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Foxborough, Massachusetts, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Foxborough, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Foxborough, Massachusetts, as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2007, on our consideration of the Town of Foxborough, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages **3** through **9**, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*R. E. Brown & Company*

May 15, 2007

## Management's Discussion and Analysis

As management of the Town of Foxborough (the "Town"), we offer readers of these basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2006. This is the fourth year our financial statements have been prepared under the Governmental Accounting Standards Board Statement Number 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This new reporting model represents a major change when compared to prior financial statements. We encourage readers to consider the information presented in this report.

### *Financial Highlights*

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$52.17 million (net assets). Of this amount, \$16.68 million is considered unrestricted (unrestricted net assets).
- The unrestricted net assets of the Town's governmental activities are \$12.62 million and may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net assets of the Town's business-type activities are \$4.06 million and may be used to meet the ongoing obligations of the Town's water, sewer, and sanitation business-type activities.
- The government's total net assets increased by \$9.19 million, or 21.4%, in fiscal 2006. Within this total, net assets of governmental activities increased by \$8.4 million, a 22.5% increase from fiscal 2005. Also, net assets of business-type activities increased by \$805 thousand, or 14.2%, from 2005.
- At June 30, 2006, the Town's governmental funds had a combined ending fund balance of \$21.6 million. The combined governmental funds balance increased by \$6.6 million, or 43%, from the prior year's ending fund balance. A total of \$20.4 million, or 94% of the \$21.6 million fund balance is considered unreserved at June 30, 2006.
- The Town's general fund reported a fund balance of \$7.3 million at the end of fiscal 2006. The unreserved fund balance for the general fund was \$6.3 million, or 15.4%, of total general fund budgetary expenditures. This represents an \$846 thousand increase in total general fund balance for the year. A total of \$2 million of the unreserved fund balance was designated for funding the fiscal year 2007 budget.
- The total cost of all Town services on a full accrual basis for fiscal 2006 was \$53.6 million, \$50.1 million of which was for governmental services, and \$3.5 million of which was for business-type activities.
- The Town's total bonded debt decreased by \$1.8 million or 6.4% during the year. The decrease is due to no additional debt incurred in FY 2006, and total principal redemptions of \$1.8 million, as scheduled.

## ***Overview of the Financial Statements***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Government-wide Financial Analysis:**

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

As noted earlier, assets exceed liabilities by \$52.17 million at the close of fiscal year 2006. The Town is able to report positive balances in all categories of net assets, both for the government as a whole, and for each of its separate governmental and business-type activities.

A key component of the Town’s net assets are its *unrestricted net assets* totaling \$16.68 million, or 32%, of net assets, which may be used to meet the government’s ongoing obligations to its citizens and creditors.

The Town’s investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets, is \$31.2 million, or 59.9%, of net assets. The Town uses these capital assets to provide services to citizens; consequently, these assets *are not* available for future spending. Although the investment in the Town’s capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets of governmental activities increased by \$8.39 million, a 22.5% increase from fiscal 2005. Net assets of business-type activities increased by \$805 thousand or 14.2%, from 2005. Total Town net assets increased by \$9.2 million, or 17.6%.

Governmental activities reduced its total liabilities by over \$4.3 million during fiscal 2006. This positive change was driven primarily by \$4.7 million in Massachusetts School Building Authority final reimbursement proceeds in August of 2005, allowing for the permanent retirement of short-term debt in the same amount. Further, governmental activities increased its cash and short-term investment balances by \$2.9 million in FY 2006 reflecting management’s continued commitment to conservative financial planning. \$2.19 million of this increase in cash balance is due to the planned sale of an old school building, not in use or needed by the public school system. These proceeds were voted at Town meeting to defray the cost of the Joint Public Safety Building capital project. Governmental activities also increased capital assets net of depreciation by \$1.49 million via net capital asset additions across multiple categories. All other governmental net asset activity contributing to the net \$8.39 million net asset increase of governmental activities combined for a net \$300 thousand decrease.

Net assets of business-type activities increased by \$804.7 thousand comprised of the following: \$453 thousand in principal repayments; \$59 thousand in capital asset additions net of depreciation; \$544 thousand increase in cash and short-term investments; \$29 thousand reduction in receivables; \$241 thousand increase in current liabilities; and all other net asset activity contributed a net \$19 thousand increase.

There was a decrease of \$39.3 thousand in net assets reported in connection with the sewer business-type activities. There were increases of \$747.5 thousand and \$96.6 thousand in net assets in connection with the water and sanitation business-type activities, respectively.

An additional portion of the total net assets totaling \$4.2 million, or 8.1%, 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 2006                 | FY 2005      | Increase (Decrease) | FY 2006                  | FY 2005      | Increase (Decrease) | FY 2006                  | FY 2005      | Increase (Decrease) |
| <b>Assets:</b>                          |                         |              |                     |                          |              |                     |                          |              |                     |
| Current Assets                          | \$29,867,842            | \$27,136,667 | \$ 2,731,175        | \$ 4,935,771             | \$ 4,420,337 | \$ 515,434          | \$34,803,613             | \$31,557,004 | \$ 3,246,609        |
| Noncurrent Assets (excluding capital)   | 2,216,095               | 2,382,355    | (166,260)           | -                        | -            | -                   | 2,216,095                | 2,382,355    | (166,260)           |
| Capital Assets                          | 39,131,424              | 37,645,551   | 1,485,873           | 9,097,026                | 9,038,098    | 58,928              | 48,228,450               | 46,683,649   | 1,544,801           |
| Total Assets                            | 71,215,361              | 67,164,573   | 4,050,788           | 14,032,797               | 13,458,435   | 574,362             | 85,248,158               | 80,623,008   | 4,625,150           |
| <b>Liabilities:</b>                     |                         |              |                     |                          |              |                     |                          |              |                     |
| Current Liabilities (excluding debt)    | 5,260,343               | 3,489,001    | 1,771,342           | 337,459                  | 97,867       | 239,592             | 5,597,802                | 3,586,868    | 2,010,934           |
| Noncurrent Liabilities (excluding debt) | 1,363,905               | 1,374,927    | (11,022)            | 18,998                   | 36,318       | (17,320)            | 1,382,903                | 1,411,245    | (28,342)            |
| Current Debt                            | 1,336,100               | 6,098,746    | (4,762,646)         | 444,100                  | 442,046      | 2,065               | 1,780,200                | 6,540,792    | (4,760,582)         |
| Noncurrent Debt                         | 17,561,005              | 18,897,105   | (1,336,100)         | 6,756,073                | 7,210,765    | (454,703)           | 24,317,078               | 26,107,870   | (1,790,802)         |
| Total Liabilities                       | 25,521,353              | 29,859,779   | (4,338,426)         | 7,556,630                | 7,786,996    | (230,366)           | 33,077,983               | 37,646,775   | (4,568,792)         |
| <b>Net Assets:</b>                      |                         |              |                     |                          |              |                     |                          |              |                     |
| Capital Assets Net of Related Debt      | 28,843,876              | 20,511,019   | 8,332,857           | 2,411,653                | 1,900,087    | 511,566             | 31,255,529               | 22,411,106   | 8,844,423           |
| Restricted                              | 4,234,256               | 4,325,900    | (91,644)            | -                        | -            | -                   | 4,234,256                | 4,325,900    | (91,644)            |
| Unrestricted                            | 12,615,876              | 12,467,875   | 148,001             | 4,064,514                | 3,771,352    | 293,162             | 16,680,390               | 16,239,227   | 441,163             |
| Total Net Assets                        | \$45,694,008            | \$37,304,794 | \$ 8,389,214        | \$ 6,476,167             | \$ 5,671,439 | \$ 804,728          | \$52,170,175             | \$42,976,233 | \$ 9,193,942        |
| <b>Revenues</b>                         |                         |              |                     |                          |              |                     |                          |              |                     |
| <b>Program Revenues:</b>                |                         |              |                     |                          |              |                     |                          |              |                     |
| Charges for Services                    | \$ 4,845,499            | \$ 4,838,342 | \$ 7,157            | \$ 4,468,826             | \$ 4,065,036 | \$ 403,790          | \$ 9,314,325             | \$ 8,903,378 | \$ 410,947          |
| Operating Grants and Contributions      | 12,886,276              | 12,803,823   | 82,453              | 304,857                  | 161,344      | 143,513             | 13,191,133               | 12,965,167   | 225,966             |
| Capital Grants and Contributions        | 5,008,008               | 14,347,129   | (9,339,121)         | 96,500                   | 99,213       | (2,713)             | 5,104,508                | 14,446,342   | (9,341,834)         |
| <b>General Revenues:</b>                |                         |              |                     |                          |              |                     |                          |              |                     |
| Real Estate and Personal Property Taxes | 27,304,502              | 24,839,325   | 2,465,177           | -                        | -            | -                   | 27,304,502               | 24,839,325   | 2,465,177           |
| Tax Liens                               | 96,610                  | 189,131      | (92,521)            | -                        | -            | -                   | 96,610                   | 189,131      | (92,521)            |
| Motor Vehicle and Other Excise Taxes    | 2,306,623               | 2,322,648    | (16,025)            | -                        | -            | -                   | 2,306,623                | 2,322,648    | (16,025)            |
| Hotel/Motel Tax                         | 371,782                 | 363,402      | 8,380               | -                        | -            | -                   | 371,782                  | 363,402      | 8,380               |
| Penalties and Interest on Taxes         | 251,147                 | 134,452      | 116,695             | -                        | -            | -                   | 251,147                  | 134,452      | 116,695             |
| Nonrestricted Grants and Contributions  | 1,655,949               | 1,597,892    | 58,057              | -                        | -            | -                   | 1,655,949                | 1,597,892    | 58,057              |
| Unrestricted Investment Income          | 900,331                 | 243,184      | 657,147             | -                        | -            | -                   | 900,331                  | 243,184      | 657,147             |
| Sale of Real Estate                     | 2,190,000               | -            | 2,190,000           | -                        | -            | -                   | 2,190,000                | -            | 2,190,000           |
| Other Revenues                          | 133,255                 | 2,574        | 130,681             | -                        | -            | -                   | 133,255                  | 2,574        | 130,681             |
| Total Revenues                          | 57,949,982              | 61,681,902   | (3,731,920)         | 4,870,183                | 4,325,593    | 544,590             | 62,820,165               | 66,007,495   | (3,187,330)         |
| <b>Expenses:</b>                        |                         |              |                     |                          |              |                     |                          |              |                     |
| General Government                      | (1,568,937)             | (2,048,821)  | 479,884             | -                        | -            | -                   | (1,568,937)              | (2,048,821)  | 479,884             |
| Public Safety                           | (4,884,569)             | (4,113,257)  | (771,312)           | -                        | -            | -                   | (4,884,569)              | (4,113,257)  | (771,312)           |
| Education                               | (27,226,659)            | (26,613,650) | (613,009)           | -                        | -            | -                   | (27,226,659)             | (26,613,650) | (613,009)           |
| Public Works                            | (1,674,977)             | (1,822,321)  | 147,344             | -                        | -            | -                   | (1,674,977)              | (1,822,321)  | 147,344             |
| Human Services                          | (492,459)               | (454,827)    | (37,632)            | -                        | -            | -                   | (492,459)                | (454,827)    | (37,632)            |
| Culture and Recreation                  | (1,143,526)             | (1,196,933)  | 53,407              | -                        | -            | -                   | (1,143,526)              | (1,196,933)  | 53,407              |
| Employee Benefits                       | (11,966,359)            | (9,824,790)  | (2,141,569)         | -                        | -            | -                   | (11,966,359)             | (9,824,790)  | (2,141,569)         |
| State and County Assessments            | (288,038)               | (244,913)    | (43,125)            | -                        | -            | -                   | (288,038)                | (244,913)    | (43,125)            |
| Interest                                | (843,188)               | (1,031,035)  | 187,847             | -                        | -            | -                   | (843,188)                | (1,031,035)  | 187,847             |
| Water                                   | -                       | -            | -                   | (1,589,071)              | (1,730,892)  | 141,821             | (1,589,071)              | (1,730,892)  | 141,821             |
| Sewer                                   | -                       | -            | -                   | (1,045,091)              | (725,436)    | (319,655)           | (1,045,091)              | (725,436)    | (319,655)           |
| Sanitation                              | -                       | -            | -                   | (903,349)                | (880,060)    | (23,289)            | (903,349)                | (880,060)    | (23,289)            |
| Total Expenses                          | (50,088,712)            | (47,350,547) | (2,738,165)         | (3,537,511)              | (3,336,388)  | (201,123)           | (53,626,223)             | (50,686,935) | (2,939,288)         |
| Transfers                               | 527,944                 | 541,735      | (13,791)            | (527,944)                | (541,735)    | 13,791              | -                        | -            | -                   |
| Change in Net Assets                    | 8,389,214               | 14,873,090   | (6,483,876)         | 804,728                  | 447,470      | 357,258             | 9,193,942                | 15,320,560   | (6,126,618)         |
| Net Assets - Beginning                  | 37,304,794              | 22,431,704   | 14,873,090          | 5,671,439                | 5,223,969    | 447,470             | 42,976,233               | 27,655,673   | 15,320,560          |
| Net Assets - Ending                     | \$45,694,008            | \$37,304,794 | \$ 8,389,214        | \$ 6,476,167             | \$ 5,671,439 | \$ 804,728          | \$52,170,175             | \$42,976,233 | \$ 9,193,942        |

### ***Financial analysis of the Government's Funds***

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the fiscal year 2006, governmental funds reported combined ending fund balances of \$21.6 million, a \$6.56 million increase from the prior year's ending fund balance. The increase was primarily due to the final Massachusetts School Building Authority reimbursement of the Ahern Middle School capital project in the amount of \$4.765 million, \$2.19 million in final proceeds associated with the planned sale of the former Lewis School building less \$1.46 million expended on the Joint Public Safety Building Capital project, general fund expenditures \$846 thousand less than combined general fund revenues and operating transfers in, Stabilization fund interest of \$99 thousand, and a net \$120 thousand improvement in all other governmental fund balances.

The general fund is the primary operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6.28 million, while total fund balance stood at \$7.28 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14.03% of total general fund expenditures, while total fund balance represents 16.25% of that same amount.

General fund revenues increased by 9.7% or \$3.75 million in FY 2006, yet general fund expenditures increased by only 4.14% or \$1.78 million. After accounting for other financing sources and uses, the fund balance of the general fund increased by \$846 thousand. This result is the product of management's conservative planning and budgeting and the use of unreserved fund balance to maintain the Town's services and financial position.

The Ahern Middle School Capital Project fund had revenues of \$4.76 million from the Massachusetts School Building Authority final reimbursement proceeds, allowing for the permanent retirement of short-term debt in the same amount. \$92,224 was voted at Town meeting to be transferred from this fund to the Joint Public Safety Capital Project fund, leaving a residual balance of \$5,486 in the Ahern Capital Project fund.

The Joint Public Safety Building Capital Project fund received transfers in of \$92,224, as referenced above, and \$2.2 million from the sale of a Town owned former school building. Both transfers were voted successfully at Town meeting. The fund expended \$1.46 million in project costs in FY 2006, as the project moved into the construction stage in the spring of 2006. The FYE 2006 fund balance stands at \$8.57 million.

The stabilization fund has accumulated a fund balance of \$2.29 million, which represents 5.1% of FY 2006 general fund expenditures. 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 \$108 thousand due to total revenues exceeding combined expenditures and transfers out.

### ***General Fund Budget Highlights***

Actual FY 2006 general fund revenues exceeded budgeted revenues by \$2.79 million, primarily driven by conservatively estimated local receipts and strong investment income performance. General fund expenses were \$1.1 million less than plan primarily due to restrained education expenditures and a very favorable rate received on a June 2005 major bond offering. Operating transfers in were \$284 thousand less than plan. The net result was an increase to FYE 2006 budgetary fund balance of \$3.6 million.

## Capital Asset and Debt Administration

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

The Town's investment in capital assets for governmental and business type activities, as summarized below, as of June 30, 2006, amounts to \$48.2 million, net of accumulated depreciation. The investment in capital assets includes land, buildings, machinery and equipment, vehicles, and water, sewer and roadway infrastructure.

The governmental activities capital asset investments were increased by \$3.18 million and reduced by \$1.54 million in depreciation during fiscal 2006. In addition, \$922 thousand in capital assets were retired (former school building and school buses) along with associated depreciation of \$765 thousand. The net change was a \$1.48 million increase in governmental net capital assets.

Business-type activities capital assets were increased by \$332.6 thousand in investments and reduced by \$273.7 thousand in depreciation for a net change of \$58.9 thousand. In addition a fully depreciated asset (backhoe) was retired and used as trade credit towards a replacement. In summary, total increases to town wide capital assets were \$3.5 million. Total depreciation was \$1.8 million, and net retirements were \$157 thousand, resulting in a net increase to capital assets of \$1.54 million.

| Capital Assets<br>(Net of Depreciation)     |                         |                     |                     |                          |                     |                  |                          |                     |                     |
|---|-------------------------|---------------------|---------------------|--------------------------|---------------------|------------------|--------------------------|---------------------|---------------------|
|   | Governmental Activities |                     |                     | Business-type Activities |                     |                  | Total Primary Government |                     |                     |
|   |                         |                     | Increase            |                          |                     | Increase         |                          |                     | Increase            |
|   | FY 2006                 | FY 2005             | (Decrease)          | FY 2006                  | FY 2005             | (Decrease)       | FY 2006                  | FY 2005             | (Decrease)          |
| Land  | \$ 6,461,525            | \$ 6,461,525        | -                   | \$ 692,282               | \$ 692,282          | -                | \$ 7,153,807             | \$ 7,153,807        | -                   |
| Buildings                                   | 27,219,903              | 28,216,369          | (996,466)           | -                        | -                   | -                | 27,219,903               | 28,216,369          | (996,466)           |
| Capital Improvements (other than buildings) | 70,040                  | 77,635              | (7,595)             | -                        | -                   | -                | 70,040                   | 77,635              | (7,595)             |
| Machinery and Equipment                     | 243,846                 | 54,527              | 189,319             | 111,743                  | 33,812              | 77,931           | 355,589                  | 88,339              | 267,250             |
| Vehicles                                    | 2,380,262               | 1,982,677           | 397,585             | 40,750                   | 46,250              | (5,500)          | 2,421,012                | 2,028,927           | 392,085             |
| Infrastructure                              | 775,956                 | 353,612             | 422,344             | 7,706,624                | 8,265,754           | (559,130)        | 8,482,580                | 8,619,366           | (136,786)           |
| Construction in Progress                    | 1,979,892               | 499,206             | 1,480,686           | 545,627                  | -                   | 545,627          | 2,525,519                | 499,206             | 2,026,313           |
| <b>Total Capital Assets</b>                 | <b>\$39,131,424</b>     | <b>\$37,645,551</b> | <b>\$ 1,485,873</b> | <b>\$ 9,097,026</b>      | <b>\$ 9,038,098</b> | <b>\$ 58,928</b> | <b>\$48,228,450</b>      | <b>\$46,683,649</b> | <b>\$ 1,544,801</b> |

**Long Term Debt** - The Town's debt burden is reasonable in relation to other communities its size. Outstanding long-term debt, as of June 30, 2006, totaled \$26.1 million. Within this total, business-type activities have debt of \$7.2 million that is fully supported by their respective utility rates. Total debt consists of the following:

| Outstanding Debt at Year End          |                              |                              |                        |
|---------------------------------------|------------------------------|------------------------------|------------------------|
|                                       | Outstanding<br>June 30, 2006 | Outstanding<br>June 30, 2005 | Increase<br>(Decrease) |
| <b>Governmental Activities</b>        |                              |                              |                        |
| School - Igo Elementary               | \$ 1,225,000                 | \$ 1,470,000                 | \$ (245,000)           |
| School - Ahern Middle                 | 1,175,000                    | 1,250,000                    | (75,000)               |
| School - Ahern Middle                 | 4,160,000                    | 4,380,000                    | (220,000)              |
| School Remodeling                     | 126,000                      | 134,000                      | (8,000)                |
| School Busses                         | 140,000                      | 175,000                      | (35,000)               |
| Public Safety Building                | 7,818,000                    | 8,239,000                    | (421,000)              |
| Fire Engines                          | 621,000                      | 690,000                      | (69,000)               |
| Senior Center                         | 375,000                      | 410,000                      | (35,000)               |
| Highway Equipment                     | 175,000                      | 195,000                      | (20,000)               |
| Land Acquisition                      | 1,350,000                    | 1,425,000                    | (75,000)               |
| Land Acquisition                      | 50,000                       | 60,000                       | (10,000)               |
| Landfill Closure                      | 1,560,000                    | 1,675,000                    | (115,000)              |
| Title V                               | 122,105                      | 133,205                      | (11,100)               |
| <b>Total Governmental Activities</b>  | <b>\$ 18,897,105</b>         | <b>\$ 20,236,205</b>         | <b>\$ (1,339,100)</b>  |
| <b>Business-type Activities</b>       |                              |                              |                        |
| Sewer                                 | \$ 312,061                   | \$ 335,668                   | \$ (23,607)            |
| Sewer                                 | 71,251                       | 76,236                       | (4,985)                |
| Sewer                                 | 915,614                      | 968,154                      | (52,540)               |
| Sewer                                 | 80,000                       | 100,000                      | (20,000)               |
| Sewer                                 | 190,000                      | 200,000                      | (10,000)               |
| Land Acquisition - Water              | 70,000                       | 80,000                       | (10,000)               |
| Water Reuse                           | 1,950,000                    | 2,065,000                    | (115,000)              |
| Water                                 | 3,060,000                    | 3,240,000                    | (180,000)              |
| Water                                 | 516,291                      | 540,423                      | (24,132)               |
| Water                                 | 34,956                       | 47,330                       | (12,374)               |
| <b>Total Business-type Activities</b> | <b>\$ 7,200,173</b>          | <b>\$ 7,652,811</b>          | <b>\$ (452,638)</b>    |
| <b>Grand Total All Long-Term Debt</b> | <b>\$ 26,097,278</b>         | <b>\$ 27,889,016</b>         | <b>\$ (1,791,738)</b>  |

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

### ***Economic Factors and Next Year's Budgets & Rates***

The Town's leadership (elected and appointed officials) considered many factors when setting the fiscal 2007 budget and tax rates including the following:

- One of the most significant financial factors was the estimated amount of local aid from the state for FY '07, which was down \$1.1 million in FY '06 from the peak FY '01 levels.
- The state did ultimately provide a significant increase in aid to all municipalities in FY '07, thereby renewing the partnership between the state and its cities and towns. In Foxborough's case that aid was increased \$1.56 million over FY '06 levels and \$449 thousand over peak FY '01 levels. Although a significant infusion of incremental funding, it is still \$1.1 million less than peak FY '01 levels on an inflation adjusted basis. The Town will be advocating for a continuation of at least modestly increasing (by CPI) state aid in the next state budget cycle.
- Despite the boost in aid from the state, Town leadership continued its conservative approach to balancing general fund operating budgets by continuing to keep a very tight reign on spending. All major open union contracts were settled at a cost the Town can afford. The Town also reduced its operating budget reliance on "Free Cash" by \$1 million and, as a result, was able to fund its FY '07 general fund capital improvement needs entirely from "Free Cash". In addition, the Town voted to add \$500 thousand to a newly created stabilization fund earmarked for capital needs.
- The Board of Water and Sewer commissioners voted to increase water rates by 15% and sewer rates by 20% for all customers effective April 1<sup>st</sup>, 2007. These increases are expected to increase fiscal 2007 ending net assets, as well as assist the Water & Sewer enterprise funds in absorbing planned infrastructure improvement costs.
- The triennial revaluation of all property has been completed and the tax rate was set for fiscal 2007 at \$9.92 per thousand, a 40 cent decrease from fiscal 2006, a rate which brought the tax levy to the allowable levy limit for the tenth consecutive year.
- The Board of Selectmen voted during their annual classification hearing to maintain the same tax rate for all classes of property in order to continue to encourage development of the commercial tax base within the town.
- A major mixed use commercial property development, managed by the Krafts (owners of the New England Patriots), has been approved by Foxborough's Planning Board for a 90.5 acre project adjacent to Gillette Stadium. The project, estimated at over \$200 million, is already under construction and is expected to have its first opening in the fall of 2007. The Town is expecting a significant influx of commercial property tax revenue as the project comes to fruition.
- In August of 2006, the Town issued the remaining authorization of \$4.515 million in excluded debt for the funding of a joint public safety building. This \$15.46 million project is expected to be complete in the fall of 2007.

### ***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 request for additional financial information should be addressed to the Finance Director, 40 South Street, Foxborough, MA 02035.

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
STATEMENT OF NET ASSETS  
JUNE 30, 2006**

|   | <b>PRIMARY GOVERNMENT</b>          |                                     |                     |
|---|------------------------------------|-------------------------------------|---------------------|
|   | <b>GOVERNMENTAL<br/>ACTIVITIES</b> | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> | <b>TOTAL</b>        |
| <b><u>ASSETS</u></b>                              |                                    |                                     |                     |
| CURRENT:  |                                    |                                     |                     |
| CASH AND SHORT-TERM INVESTMENTS                   | \$ 26,771,337                      | \$ 3,847,059                        | \$30,618,396        |
| RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES: |                                    |                                     |                     |
| REAL ESTATE AND PERSONAL PROPERTY TAXES           | 349,168                            | -                                   | 349,168             |
| TAX LIENS   | 456,539                            | -                                   | 456,539             |
| MOTOR VEHICLE EXCISE TAXES                        | 168,504                            | -                                   | 168,504             |
| USER FEES   | -                                  | 1,088,712                           | 1,088,712           |
| DEPARTMENTAL AND OTHER                            | 337,613                            | -                                   | 337,613             |
| INTERGOVERNMENTAL                                 | 1,393,413                          | -                                   | 1,393,413           |
| OTHER ASSETS                                      | 391,268                            | -                                   | 391,268             |
| NONCURRENT:                                       |                                    |                                     |                     |
| RESTRICTED ASSETS:                                |                                    |                                     |                     |
| RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES: |                                    |                                     |                     |
| INTERGOVERNMENTAL                                 | 2,216,095                          | -                                   | 2,216,095           |
| CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION   | 39,131,424                         | 9,097,026                           | 48,228,450          |
| TOTAL ASSETS                                      | <u>71,215,361</u>                  | <u>14,032,797</u>                   | <u>85,248,158</u>   |
| <b><u>LIABILITIES</u></b>                         |                                    |                                     |                     |
| CURRENT:  |                                    |                                     |                     |
| ACCOUNTS PAYABLE                                  | 3,526,344                          | 305,635                             | 3,831,979           |
| ACCRUED LIABILITIES                               | 103,715                            | -                                   | 103,715             |
| HEALTH CLAIMS PAYABLE                             | 1,194,215                          | -                                   | 1,194,215           |
| OTHER LIABILITIES                                 | 23,694                             | -                                   | 23,694              |
| ACCRUED INTEREST                                  | 38,791                             | 18,963                              | 57,754              |
| BONDS AND NOTES PAYABLE                           | 1,336,100                          | 444,100                             | 1,780,200           |
| LANDFILL POSTCLOSURE CARE COSTS                   | 35,000                             | -                                   | 35,000              |
| COMPENSATED ABSENCES                              | 338,584                            | 12,861                              | 351,445             |
| NONCURRENT:                                       |                                    |                                     |                     |
| BONDS AND NOTES PAYABLE                           | 17,561,005                         | 6,756,073                           | 24,317,078          |
| LANDFILL POSTCLOSURE CARE COSTS                   | 770,000                            | -                                   | 770,000             |
| COMPENSATED ABSENCES                              | 593,905                            | 18,998                              | 612,903             |
| TOTAL LIABILITIES                                 | <u>25,521,353</u>                  | <u>7,556,630</u>                    | <u>33,077,983</u>   |
| <b><u>NET ASSETS</u></b>                          |                                    |                                     |                     |
| INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT   | 28,843,876                         | 2,411,653                           | 31,255,529          |
| RESTRICTED FOR:                                   |                                    |                                     |                     |
| STREETS   | 801,332                            | -                                   | 801,332             |
| PERMANENT FUNDS:                                  |                                    |                                     |                     |
| EXPENDABLE  | 48,924                             | -                                   | 48,924              |
| NONEXPENDABLE                                     | 258,845                            | -                                   | 258,845             |
| OTHER PURPOSES                                    | 3,125,155                          | -                                   | 3,125,155           |
| UNRESTRICTED                                      | 12,615,876                         | 4,064,514                           | 16,680,390          |
| TOTAL NET ASSETS                                  | <u>\$ 45,694,008</u>               | <u>\$ 6,476,167</u>                 | <u>\$52,170,175</u> |

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2006**

| <u>FUNCTIONS/PROGRAMS</u>      | <u>EXPENSES</u> | <u>PROGRAM REVENUES</u>         |   |   | <u>NET (EXPENSE)<br/>REVENUE</u> |
|--------------------------------|-----------------|---------------------------------|---|---|----------------------------------|
|                                |                 | <u>CHARGES FOR<br/>SERVICES</u> | <u>OPERATING<br/>GRANTS AND<br/>CONTRIBUTIONS</u> | <u>CAPITAL<br/>GRANTS AND<br/>CONTRIBUTIONS</u> |                                  |
| <b>PRIMARY GOVERNMENT:</b>     |                 |                                 |   |   |                                  |
| GOVERNMENTAL ACTIVITIES:       |                 |                                 |   |   |                                  |
| GENERAL GOVERNMENT             | \$ 1,568,937    | \$ 486,124                      | \$ 18,122   | \$ -  | \$ (1,064,691)                   |
| PUBLIC SAFETY                  | 4,884,569       | 1,197,511                       | 206,956   | -   | (3,480,102)                      |
| EDUCATION                      | 27,226,659      | 1,236,629                       | 8,566,936   | 4,770,932                                       | (12,652,162)                     |
| PUBLIC WORKS                   | 1,674,977       | 8,278                           | 1,398   | 237,076   | (1,428,225)                      |
| HUMAN SERVICES                 | 492,459         | 61,545                          | 28,133  | -   | (402,781)                        |
| CULTURE & RECREATION           | 1,143,526       | 99,526                          | 73,782  | -   | (970,218)                        |
| EMPLOYEE BENEFITS              | 11,966,359      | 1,755,886                       | 3,990,949   | -   | (6,219,524)                      |
| STATE & COUNTY ASSESSMENTS     | 288,038         | -                               | -   | -   | (288,038)                        |
| INTEREST                       | 843,188         | -                               | -   | -   | (843,188)                        |
| TOTAL GOVERNMENTAL ACTIVITIES  | 50,088,712      | 4,845,499                       | 12,886,276  | 5,008,008                                       | (27,348,929)                     |
| BUSINESS-TYPE ACTIVITIES:      |                 |                                 |   |   |                                  |
| WATER                          | 1,589,071       | 2,488,918                       | 237,836   | 23,623  | 1,161,306                        |
| SEWER                          | 1,045,091       | 928,528                         | 52,042  | 72,877  | 8,356                            |
| SANITATION                     | 903,349         | 1,051,380                       | 14,979  | -   | 163,010                          |
| TOTAL BUSINESS-TYPE ACTIVITIES | 3,537,511       | 4,468,826                       | 304,857   | 96,500  | 1,332,672                        |
| TOTAL PRIMARY GOVERNMENT       | \$ 53,626,223   | \$ 9,314,325                    | \$ 13,191,133                                     | \$ 5,104,508                                    | \$ (26,016,257)                  |

See accompanying notes to the basic financial statements

(continued)

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2006**

|  | <b>PRIMARY GOVERNMENT</b>          |                                     |                |
|--|------------------------------------|-------------------------------------|----------------|
|  | <b>GOVERNMENTAL<br/>ACTIVITIES</b> | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> | <b>TOTAL</b>   |
| <b>CHANGES IN NET ASSETS:</b>  |                                    |                                     |                |
| NET (EXPENSE) REVENUE FROM PREVIOUS PAGE                               | \$ (27,348,929)                    | \$ 1,332,672                        | \$(26,016,257) |
| <b>GENERAL REVENUES:</b>   |                                    |                                     |                |
| REAL ESTATE AND PERSONAL PROPERTY TAXES,<br>NET OF TAX REFUNDS PAYABLE | 27,304,502                         | -                                   | 27,304,502     |
| TAX LIENS  | 96,610                             | -                                   | 96,610         |
| MOTOR VEHICLE AND OTHER EXCISE TAXES                                   | 2,306,623                          | -                                   | 2,306,623      |
| HOTEL/MOTEL TAX  | 371,782                            | -                                   | 371,782        |
| PENALTIES AND INTEREST ON TAXES  | 251,147                            | -                                   | 251,147        |
| GRANTS AND CONTRIBUTIONS NOT RESTRICTED<br>TO SPECIFIC PROGRAMS        | 1,655,949                          | -                                   | 1,655,949      |
| UNRESTRICTED INVESTMENT INCOME   | 900,331                            | -                                   | 900,331        |
| SALE OF REAL ESTATE  | 2,190,000                          | -                                   | 2,190,000      |
| MISCELLANEOUS  | 133,255                            | -                                   | 133,255        |
| TRANSFERS, NET   | 527,944                            | (527,944)                           | -              |
| TOTAL GENERAL REVENUES AND TRANSFERS                                   | 35,738,143                         | (527,944)                           | 35,210,199     |
| CHANGE IN NET ASSETS   | 8,389,214                          | 804,728                             | 9,193,942      |
| <b>NET ASSETS:</b>   |                                    |                                     |                |
| <b>BEGINNING OF YEAR</b>   | 37,304,794                         | 5,671,439                           | 42,976,233     |
| <b>END OF YEAR</b>   | \$ 45,694,008                      | \$ 6,476,167                        | \$ 52,170,175  |

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2006**

| <b><u>ASSETS</u></b>                              | <b><u>GENERAL</u></b> | <b><u>AHEARN SCHOOL</u></b> | <b><u>JOINT PUBLIC<br/>SAFETY BUILDING</u></b> | <b><u>STABILIZATION</u></b> | <b><u>NONMAJOR<br/>GOVERNMENTAL<br/>FUNDS</u></b> | <b><u>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</u></b> |
|---|-----------------------|-----------------------------|--|-----------------------------|---|--|
| CASH AND SHORT-TERM INVESTMENTS                   | \$ 10,081,501         | \$ 5,486                    | \$ 9,091,382                                   | \$ 2,295,821                | \$ 3,356,160                                      | \$ 24,830,350                                  |
| RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES: |                       |                             |  |                             |   |  |
| REAL ESTATE AND PERSONAL PROPERTY TAXES           | 349,168               | -                           | -  | -                           | -   | 349,168  |
| TAX LIENS   | 456,539               | -                           | -  | -                           | -   | 456,539  |
| MOTOR VEHICLE EXCISE TAXES                        | 168,504               | -                           | -  | -                           | -   | 168,504  |
| DEPARTMENTAL AND OTHER                            | -                     | -                           | -  | -                           | 302,168   | 302,168  |
| INTERGOVERNMENTAL                                 | 2,411,354             | -                           | -  | -                           | 1,198,154   | 3,609,508                                      |
| OTHER ASSETS                                      | 16,268                | -                           | -  | -                           | -   | 16,268   |
| <b>TOTAL ASSETS</b>                               | <b>\$ 13,483,334</b>  | <b>\$ 5,486</b>             | <b>\$ 9,091,382</b>                            | <b>\$ 2,295,821</b>         | <b>\$ 4,856,482</b>                               | <b>\$ 29,732,505</b>                           |
| <br><b><u>LIABILITIES AND FUND BALANCES</u></b>   |                       |                             |  |                             |   |  |
| LIABILITIES:                                      |                       |                             |  |                             |   |  |
| ACCOUNTS PAYABLE                                  | \$ 2,719,569          | \$ -                        | \$ 516,549                                     | \$ -                        | \$ 290,226  | \$ 3,526,344                                   |
| ACCRUED LIABILITIES                               | 103,715               | -                           | -  | -                           | -   | 103,715  |
| OTHER LIABILITIES                                 | 23,694                | -                           | -  | -                           | -   | 23,694   |
| DEFERRED REVENUES                                 | 3,358,229             | -                           | -  | -                           | 1,104,094   | 4,462,323                                      |
| <b>TOTAL LIABILITIES</b>                          | <b>6,205,207</b>      | <b>-</b>                    | <b>516,549</b>                                 | <b>-</b>                    | <b>1,394,320</b>                                  | <b>8,116,076</b>                               |
| FUND BALANCES:                                    |                       |                             |  |                             |   |  |
| RESERVED FOR:                                     |                       |                             |  |                             |   |  |
| ENCUMBRANCES AND CONTINUING APPROPRIATIONS        | 996,330               | -                           | -  | -                           | -   | 996,330  |
| PERPETUAL PERMANENT FUNDS                         | -                     | -                           | -  | -                           | 258,845   | 258,845  |
| UNRESERVED  |                       |                             |  |                             |   |  |
| DESIGNATED FOR SUBSEQUENT YEARS' EXPENDITURES     | 1,997,855             | -                           | -  | -                           | -   | 1,997,855                                      |
| UNDESIGNATED, REPORTED IN:                        |                       |                             |  |                             |   |  |
| GENERAL FUND                                      | 4,283,942             | -                           | -  | -                           | -   | 4,283,942                                      |
| SPECIAL REVENUE FUNDS                             | -                     | -                           | -  | 2,295,821                   | 3,125,155   | 5,420,976                                      |
| CAPITAL PROJECTS FUNDS                            | -                     | 5,486                       | 8,574,833                                      | -                           | 29,238  | 8,609,557                                      |
| PERMANENT FUNDS                                   | -                     | -                           | -  | -                           | 48,924  | 48,924   |
| <b>TOTAL FUND BALANCES</b>                        | <b>7,278,127</b>      | <b>5,486</b>                | <b>8,574,833</b>                               | <b>2,295,821</b>            | <b>3,462,162</b>                                  | <b>21,616,429</b>                              |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>        | <b>\$ 13,483,334</b>  | <b>\$ 5,486</b>             | <b>\$ 9,091,382</b>                            | <b>\$ 2,295,821</b>         | <b>\$ 4,856,482</b>                               | <b>\$ 29,732,505</b>                           |

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FISCAL YEAR ENDED JUNE 30, 2006**

|  | <u>GENERAL</u>      | <u>AHEARN SCHOOL</u> | <u>JOINT PUBLIC<br/>SAFETY BUILDING</u> | <u>STABILIZATION</u> | <u>NONMAJOR<br/>GOVERNMENTAL<br/>FUNDS</u> | <u>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</u> |
|--|---------------------|----------------------|---|----------------------|--|---|
| <b><u>REVENUES:</u></b>  |                     |                      |   |                      |  |   |
| REAL ESTATE AND PERSONAL PROPERTY TAXES,<br>NET OF TAX REFUNDS | \$ 25,685,654       | \$ -                 | \$ -                                    | \$ -                 | \$ -                                       | \$ 25,685,654                           |
| MOTOR VEHICLE AND OTHER EXCISE TAXES                           | 2,328,118           | -                    | -                                       | -                    | -  | 2,328,118                               |
| PENALTIES AND INTEREST ON TAXES                                | 251,147             | -                    | -                                       | -                    | -  | 251,147                                 |
| INTERGOVERNMENTAL  | 11,959,208          | 4,765,132            | -                                       | -                    | 2,586,677                                  | 19,311,017                              |
| CHARGES FOR SERVICES   | -                   | -                    | -                                       | -                    | 1,905,493                                  | 1,905,493                               |
| INVESTMENT INCOME  | 775,607             | -                    | -                                       | 98,956               | 41,615                                     | 916,178                                 |
| CONTRIBUTIONS & DONATIONS                                      | -                   | -                    | -                                       | -                    | 131,672                                    | 131,672                                 |
| SALE OF REAL ESTATE  | -                   | -                    | -                                       | -                    | 2,190,000                                  | 2,190,000                               |
| DEPARTMENTAL AND OTHER   | 3,477,415           | -                    | 5,800                                   | -                    | 85,204                                     | 3,568,419                               |
| <b>TOTAL REVENUES</b>  | <b>44,477,149</b>   | <b>4,765,132</b>     | <b>5,800</b>                            | <b>98,956</b>        | <b>6,940,661</b>                           | <b>56,287,698</b>                       |
| <b><u>EXPENDITURES:</u></b>                                    |                     |                      |   |                      |  |   |
| CURRENT:   |                     |                      |   |                      |  |   |
| GENERAL GOVERNMENT   | 1,434,795           | -                    | -                                       | -                    | 8,980                                      | 1,443,775                               |
| PUBLIC SAFETY  | 5,095,710           | -                    | 1,462,985                               | -                    | 129,456                                    | 6,688,151                               |
| EDUCATION  | 23,468,580          | -                    | -                                       | -                    | 3,143,932                                  | 26,612,512                              |
| PUBLIC WORKS   | 1,722,178           | -                    | -                                       | -                    | 438,256                                    | 2,160,434                               |
| HUMAN SERVICES   | 444,643             | -                    | -                                       | -                    | 30,691                                     | 475,334                                 |
| CULTURE & RECREATION   | 876,648             | -                    | -                                       | -                    | 255,146                                    | 1,131,794                               |
| EMPLOYEE BENEFITS  | 9,267,851           | -                    | -                                       | -                    | -  | 9,267,851                               |
| STATE & COUNTY ASSESSMENTS                                     | 288,038             | -                    | -                                       | -                    | -  | 288,038                                 |
| DEBT SERVICE   |                     |                      |   |                      |  |   |
| PRINCIPAL  | 1,328,000           | -                    | -                                       | -                    | 11,100                                     | 1,339,100                               |
| INTEREST   | 839,210             | -                    | -                                       | -                    | 7,418                                      | 846,628                                 |
| <b>TOTAL EXPENDITURES</b>                                      | <b>44,765,653</b>   | <b>-</b>             | <b>1,462,985</b>                        | <b>-</b>             | <b>4,024,979</b>                           | <b>50,253,617</b>                       |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>       | <b>(288,504)</b>    | <b>4,765,132</b>     | <b>(1,457,185)</b>                      | <b>98,956</b>        | <b>2,915,682</b>                           | <b>6,034,081</b>                        |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                   |                     |                      |   |                      |  |   |
| OPERATING TRANSFERS IN   | 1,134,944           | -                    | 2,292,224                               | -                    | -  | 3,427,168                               |
| OPERATING TRANSFERS OUT  | -                   | (92,224)             | -                                       | -                    | (2,807,000)                                | (2,899,224)                             |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                    | <b>1,134,944</b>    | <b>(92,224)</b>      | <b>2,292,224</b>                        | <b>-</b>             | <b>(2,807,000)</b>                         | <b>527,944</b>                          |
| <b>NET CHANGE IN FUND BALANCES</b>                             | <b>846,440</b>      | <b>4,672,908</b>     | <b>835,039</b>                          | <b>98,956</b>        | <b>108,682</b>                             | <b>6,562,025</b>                        |
| <b>FUND BALANCES AT BEGINNING OF YEAR</b>                      | <b>6,431,687</b>    | <b>(4,667,422)</b>   | <b>7,739,794</b>                        | <b>2,196,865</b>     | <b>3,353,480</b>                           | <b>15,054,404</b>                       |
| <b>FUND BALANCES AT END OF YEAR</b>                            | <b>\$ 7,278,127</b> | <b>\$ 5,486</b>      | <b>\$ 8,574,833</b>                     | <b>\$ 2,295,821</b>  | <b>\$ 3,462,162</b>                        | <b>\$ 21,616,429</b>                    |

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS  
FISCAL YEAR ENDED JUNE 30, 2006**

|   |                  |                             |
|---|------------------|-----------------------------|
| <b>TOTAL GOVERNMENTAL FUND BALANCES</b>   |                  | \$ 21,616,429               |
| CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS                      |                  | 39,131,424                  |
| ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS                              |                  | 4,462,323                   |
| THE ASSETS AND LIABILITIES OF THE INTERNAL SERVICE FUNDS ARE INCLUDED IN THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS                 |                  | 1,157,217                   |
| IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE |                  | (38,791)                    |
| 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   | (18,897,105)     |                             |
| COMPENSATED ABSENCES  | (932,489)        |                             |
| LANDFILL POSTCLOSURE CARE COSTS   | <u>(805,000)</u> |                             |
| NET EFFECT OF REPORTING LONG-TERM LIABILITIES   |                  | <u>(20,634,594)</u>         |
| <b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>  |                  | <b><u>\$ 45,694,008</u></b> |

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2006**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUND** \$ 6,562,025

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                         | 2,264,858        |           |
| DEPRECIATION EXPENSE                   | <u>(778,985)</u> |           |
| NET EFFECT OF REPORTING CAPITAL ASSETS |                  | 1,485,873 |

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 (444,827)

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.

|                                       |                  |           |
|---------------------------------------|------------------|-----------|
| DEBT SERVICE PRINCIPAL PAYMENTS       | <u>1,339,100</u> |           |
| NET EFFECT OF REPORTING LONG-TEM DEBT |                  | 1,339,100 |

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       | (68,724)     |          |
| NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL  | 35,000       |          |
| NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT | <u>3,440</u> |          |
| NET EFFECT OF RECORDING LONG-TERM LIABILITIES    |              | (30,284) |

INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO ACCOUNT FOR HEALTH INSURANCE ACTIVITIES

THE NET ACTIVITY OF INTERNAL SERVICE FUNDS IS REPORTED WITH GOVERNMENTAL ACTIVITIES (522,673)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 8,389,214**

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  
YEAR ENDED JUNE 30, 2006**

|  | <u>BUDGETED AMOUNTS</u>    |                         | <u>ACTUAL<br/>BUDGETARY<br/>AMOUNTS</u> | <u>VARIANCE<br/>OVER(UNDER)</u> |
|--|----------------------------|-------------------------|---|---------------------------------|
|  | <u>ORIGINAL<br/>BUDGET</u> | <u>FINAL<br/>BUDGET</u> |   |                                 |
| <b><u>REVENUES:</u></b>  |                            |                         |   |                                 |
| REAL ESTATE AND PERSONAL PROPERTY TAXES,<br>NET OF TAX REFUNDS | \$ 25,315,803              | \$ 25,315,803           | \$ 25,685,654                           | \$ 369,851                      |
| MOTOR VEHICLE AND OTHER EXCISE TAXES                           | 2,050,000                  | 2,050,000               | 2,328,118                               | 278,118                         |
| PENALTIES & INTEREST ON TAXES                                  | 80,000                     | 80,000                  | 251,147                                 | 171,147                         |
| INTERGOVERNMENTAL  | 8,415,554                  | 8,415,554               | 8,319,484                               | (96,070)                        |
| INVESTMENT INCOME  | 80,000                     | 80,000                  | 775,607                                 | 695,607                         |
| DEPARTMENTAL AND OTHER   | <u>2,107,386</u>           | <u>2,107,386</u>        | <u>3,477,415</u>                        | <u>1,370,029</u>                |
| TOTAL REVENUES   | <u>38,048,743</u>          | <u>38,048,743</u>       | <u>40,837,425</u>                       | <u>2,788,682</u>                |
| <b><u>EXPENDITURES:</u></b>                                    |                            |                         |   |                                 |
| CURRENT:   |                            |                         |   |                                 |
| GENERAL GOVERNMENT   | 1,700,157                  | 1,732,226               | 1,636,685                               | 95,541                          |
| PUBLIC SAFETY  | 4,892,664                  | 5,364,118               | 5,237,758                               | 126,360                         |
| EDUCATION  | 23,751,732                 | 23,751,732              | 23,113,962                              | 637,770                         |
| PUBLIC WORKS   | 1,445,800                  | 1,580,145               | 1,747,060                               | (166,915)                       |
| HUMAN SERVICES   | 426,558                    | 446,900                 | 442,366                                 | 4,534                           |
| CULTURE & RECREATION   | 901,612                    | 913,855                 | 895,789                                 | 18,066                          |
| EMPLOYEE BENEFITS  | 5,729,907                  | 5,705,266               | 5,632,417                               | 72,849                          |
| STATE & COUNTY ASSESSMENTS                                     | 290,463                    | 290,463                 | 288,038                                 | 2,425                           |
| DEBT SERVICE:  |                            |                         |   |                                 |
| PRINCIPAL  | 1,328,000                  | 1,362,567               | 1,328,000                               | 34,567                          |
| INTEREST   | <u>1,167,690</u>           | <u>1,117,311</u>        | <u>839,210</u>                          | <u>278,101</u>                  |
| TOTAL EXPENDITURES   | <u>41,634,583</u>          | <u>42,264,583</u>       | <u>41,161,285</u>                       | <u>1,103,298</u>                |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES              | (3,585,840)                | (4,215,840)             | (323,860)                               | 3,891,980                       |
| <b><u>OTHER FINANCING SOURCES (USES):</u></b>                  |                            |                         |   |                                 |
| OPERATING TRANSFERS IN   | <u>1,211,946</u>           | <u>1,418,946</u>        | <u>1,134,944</u>                        | <u>(284,002)</u>                |
| NET CHANGE IN FUND BALANCE                                     | (2,373,894)                | (2,796,894)             | 811,084                                 | 3,607,978                       |
| BUDGETARY FUND BALANCE, BEGINNING OF YEAR                      | <u>4,961,772</u>           | <u>4,961,772</u>        | <u>4,961,772</u>                        | <u>-</u>                        |
| BUDGETARY FUND BALANCE, END OF YEAR                            | <u>\$ 2,587,878</u>        | <u>\$ 2,164,878</u>     | <u>\$ 5,772,856</u>                     | <u>\$ 3,607,978</u>             |

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2006**

| <u>ASSETS</u>                                   | <u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u> |                     |                   |                     | <u>GOVERNMENTAL<br/>ACTIVITIES -<br/>INTERNAL SERVICE<br/>FUNDS</u> |
|---|--|---------------------|-------------------|---------------------|---|
|   | <u>WATER</u>                                       | <u>SEWER</u>        | <u>SANITATION</u> | <u>TOTAL</u>        |   |
| CURRENT:  |  |                     |                   |                     |   |
| CASH AND SHORT-TERM INVESTMENTS                 | \$ 2,672,614                                       | \$ 735,141          | \$ 439,304        | \$ 3,847,059        | \$ 1,940,987  |
| USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES: | 279,796  | 761,999             | 46,917            | 1,088,712           | -   |
| DEPARTMENTAL AND OTHER                          | -  | -                   | -                 | -                   | 35,445  |
| OTHER ASSETS                                    | -  | -                   | -                 | -                   | 375,000   |
| TOTAL CURRENT ASSETS                            | <u>2,952,410</u>                                   | <u>1,497,140</u>    | <u>486,221</u>    | <u>4,935,771</u>    | <u>2,351,432</u>  |
| NONCURRENT:                                     |  |                     |                   |                     |   |
| CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION | <u>7,153,251</u>                                   | <u>1,943,775</u>    | <u>-</u>          | <u>9,097,026</u>    | <u>-</u>  |
| TOTAL ASSETS                                    | <u>10,105,661</u>                                  | <u>3,440,915</u>    | <u>486,221</u>    | <u>14,032,797</u>   | <u>2,351,432</u>  |
| <br><u>LIABILITIES</u>                          |  |                     |                   |                     |   |
| CURRENT:  |  |                     |                   |                     |   |
| ACCOUNTS PAYABLE                                | 39,785   | 230,501             | 35,349            | 305,635             | -   |
| HEALTH CLAIMS PAYABLE                           | -  | -                   | -                 | -                   | 1,194,215   |
| ACCRUED INTEREST                                | 15,209   | 3,754               | -                 | 18,963              | -   |
| BONDS AND NOTES PAYABLE                         | 330,766  | 113,334             | -                 | 444,100             | -   |
| COMPENSATED ABSENCES                            | <u>11,575</u>                                      | <u>1,286</u>        | <u>-</u>          | <u>12,861</u>       | <u>-</u>  |
| TOTAL CURRENT LIABILITIES                       | <u>397,335</u>                                     | <u>348,875</u>      | <u>35,349</u>     | <u>781,559</u>      | <u>1,194,215</u>  |
| NONCURRENT:                                     |  |                     |                   |                     |   |
| BONDS AND NOTES PAYABLE                         | 5,300,481  | 1,455,592           | -                 | 6,756,073           | -   |
| COMPENSATED ABSENCES                            | <u>17,098</u>                                      | <u>1,900</u>        | <u>-</u>          | <u>18,998</u>       | <u>-</u>  |
| TOTAL NONCURRENT LIABILITIES                    | <u>5,317,579</u>                                   | <u>1,457,492</u>    | <u>-</u>          | <u>6,775,071</u>    | <u>-</u>  |
| TOTAL LIABILITIES                               | <u>5,714,914</u>                                   | <u>1,806,367</u>    | <u>35,349</u>     | <u>7,556,630</u>    | <u>1,194,215</u>  |
| <br><u>NET ASSETS</u>                           |  |                     |                   |                     |   |
| INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT | 2,012,957  | 398,696             | -                 | 2,411,653           | -   |
| UNRESTRICTED                                    | <u>2,377,790</u>                                   | <u>1,235,852</u>    | <u>450,872</u>    | <u>4,064,514</u>    | <u>1,157,217</u>  |
| TOTAL NET ASSETS                                | <u>\$ 4,390,747</u>                                | <u>\$ 1,634,548</u> | <u>\$ 450,872</u> | <u>\$ 6,476,167</u> | <u>\$ 1,157,217</u>   |

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 FISCAL YEAR ENDED JUNE 30, 2006**

|  | <u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u> |                     |                   |                     | <u>GOVERNMENTAL<br/>ACTIVITIES -<br/>INTERNAL SERVICE<br/>FUNDS</u> |
|--|--|---------------------|-------------------|---------------------|---|
|  | <u>WATER</u>                                       | <u>SEWER</u>        | <u>SANITATION</u> | <u>TOTAL</u>        |   |
| <b><u>OPERATING REVENUES:</u></b>                |  |                     |                   |                     |   |
| CHARGES FOR SERVICES                             | \$ 2,488,918                                       | \$ 928,528          | \$ 1,051,380      | \$ 4,468,826        | \$ -  |
| EMPLOYER CONTRIBUTIONS                           | -  | -                   | -                 | -                   | 3,298,403   |
| EMPLOYEE CONTRIBUTIONS                           | -  | -                   | -                 | -                   | 1,755,886   |
| DEPARTMENTAL AND OTHER                           | 174,486  | 30,143              | -                 | 204,629             | 277,933   |
| TOTAL OPERATING REVENUES                         | <u>2,663,404</u>                                   | <u>958,671</u>      | <u>1,051,380</u>  | <u>4,673,455</u>    | <u>5,332,222</u>  |
| <b><u>OPERATING EXPENSES:</u></b>                |  |                     |                   |                     |   |
| GENERAL SERVICES                                 | 1,164,254  | 903,613             | 899,124           | 2,966,991           | -   |
| DEPRECIATION                                     | 212,255  | 57,235              | 4,225             | 273,715             | -   |
| EMPLOYEE BENEFITS                                | -  | -                   | -                 | -                   | 5,928,187   |
| TOTAL OPERATING EXPENSES                         | <u>1,376,509</u>                                   | <u>960,848</u>      | <u>903,349</u>    | <u>3,240,706</u>    | <u>5,928,187</u>  |
| OPERATING INCOME (LOSS)                          | 1,286,895  | (2,177)             | 148,031           | 1,432,749           | (595,965)   |
| <b><u>NON-OPERATING REVENUES (EXPENSES):</u></b> |  |                     |                   |                     |   |
| INTERGOVERNMENTAL                                | 23,623   | 72,877              | -                 | 96,500              | -   |
| INVESTMENT INCOME                                | 63,350   | 21,899              | 14,979            | 100,228             | 73,292  |
| INTEREST EXPENSE                                 | (212,562)  | (84,243)            | -                 | (296,805)           | -   |
| TOTAL NON-OPERATING REVENUES (EXPENSES), NET     | <u>(125,589)</u>                                   | <u>10,533</u>       | <u>14,979</u>     | <u>(100,077)</u>    | <u>73,292</u>   |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS         | <u>1,161,306</u>                                   | <u>8,356</u>        | <u>163,010</u>    | <u>1,332,672</u>    | <u>(522,673)</u>  |
| <b><u>OPERATING TRANSFERS:</u></b>               |  |                     |                   |                     |   |
| OPERATING TRANSFERS OUT                          | <u>(413,832)</u>                                   | <u>(47,682)</u>     | <u>(66,430)</u>   | <u>(527,944)</u>    | <u>-</u>  |
| CHANGE IN NET ASSETS                             | 747,474  | (39,326)            | 96,580            | 804,728             | (522,673)   |
| NET ASSETS AT BEGINNING OF YEAR                  | <u>3,643,273</u>                                   | <u>1,673,874</u>    | <u>354,292</u>    | <u>5,671,439</u>    | <u>1,679,890</u>  |
| NET ASSETS AT END OF YEAR                        | <u>\$ 4,390,747</u>                                | <u>\$ 1,634,548</u> | <u>\$ 450,872</u> | <u>\$ 6,476,167</u> | <u>\$ 1,157,217</u>   |

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FISCAL YEAR ENDED JUNE 30, 2006**

|  | <u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u> |                   |                   |                     | <u>GOVERNMENTAL<br/>ACTIVITIES -<br/>INTERNAL SERVICE<br/>FUNDS</u> |
|--|--|-------------------|-------------------|---------------------|---|
|  | <u>WATER</u>                                       | <u>SEWER</u>      | <u>SANITATION</u> | <u>TOTAL</u>        |   |
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>  |  |                   |                   |                     |   |
| EMPLOYER CONTRIBUTIONS   | \$ -   | \$ -              | \$ -              | \$ -                | \$ 3,298,403  |
| EMPLOYEE CONTRIBUTIONS   | -  | -                 | -                 | -                   | 1,755,886   |
| RECEIPTS FROM CUSTOMERS AND USERS  | 2,663,170  | 949,016           | 1,038,038         | 4,650,224           | 535,271   |
| PAYMENTS TO SUPPLIERS  | (596,102)  | (617,165)         | (877,748)         | (2,091,015)         | (5,367,455)   |
| PAYMENTS TO EMPLOYEES  | (571,470)  | (59,373)          | (22,302)          | (653,145)           | -   |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES   | <u>1,495,598</u>                                   | <u>272,478</u>    | <u>137,988</u>    | <u>1,906,064</u>    | <u>222,105</u>  |
| <b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>   |  |                   |                   |                     |   |
| OPERATING TRANSFERS OUT  | (413,832)  | (47,682)          | (66,430)          | (527,944)           | -   |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES  | <u>(413,832)</u>                                   | <u>(47,682)</u>   | <u>(66,430)</u>   | <u>(527,944)</u>    | <u>-</u>  |
| <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>  |  |                   |                   |                     |   |
| PROCEEDS FROM INTERGOVERNMENTAL GRANT  | 51,566   | -                 | -                 | 51,566              | -   |
| PRINCIPAL PAYMENTS ON BONDS AND NOTES  | (337,233)  | (92,526)          | -                 | (429,759)           | -   |
| ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS   | (332,643)  | -                 | -                 | (332,643)           | -   |
| INTEREST EXPENSE   | (193,173)  | (29,895)          | -                 | (223,068)           | -   |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:  | <u>(811,483)</u>                                   | <u>(122,421)</u>  | <u>-</u>          | <u>(933,904)</u>    | <u>-</u>  |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>  |  |                   |                   |                     |   |
| INTEREST RECEIVED  | 63,350   | 21,898            | 14,979            | 100,227             | 73,292  |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:  | <u>63,350</u>                                      | <u>21,898</u>     | <u>14,979</u>     | <u>100,227</u>      | <u>73,292</u>   |
| NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS   | 333,633  | 124,273           | 86,537            | 544,443             | 295,397   |
| <b>CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR</b>   | <u>2,338,981</u>                                   | <u>610,868</u>    | <u>352,767</u>    | <u>3,302,616</u>    | <u>1,645,590</u>  |
| <b>CASH AND SHORT TERM INVESTMENTS - END OF YEAR</b>   | <u>\$ 2,672,614</u>                                | <u>\$ 735,141</u> | <u>\$ 439,304</u> | <u>\$ 3,847,059</u> | <u>\$ 1,940,987</u>   |
| <b><u>RECONCILIATION OF OPERATING INCOME (LOSS)<br/>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u></b> |  |                   |                   |                     |   |
| <b>OPERATING INCOME (LOSS)</b>   | <u>\$ 1,286,895</u>                                | <u>\$ (2,177)</u> | <u>\$ 148,031</u> | <u>\$ 1,432,749</u> | <u>\$ (595,965)</u>   |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)<br>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:         |  |                   |                   |                     |   |
| DEPRECIATION   | 212,255  | 57,235            | 4,225             | 273,715             | -   |
| (INCREASE) DECREASE IN ACCOUNTS RECEIVABLE   | (235)  | (9,655)           | (13,342)          | (23,232)            | 257,338   |
| (INCREASE) DECREASE IN DEPOSIT PREMIUM   | -  | -                 | -                 | -                   | (22,600)  |
| INCREASE (DECREASE) IN ACCOUNTS PAYABLE  | 9,713  | 228,522           | (926)             | 237,309             | 583,332   |
| INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE  | (13,030)   | (1,447)           | -                 | (14,477)            | -   |
| TOTAL ADJUSTMENTS  | <u>208,703</u>                                     | <u>274,655</u>    | <u>(10,043)</u>   | <u>473,315</u>      | <u>818,070</u>  |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>  | <u>\$ 1,495,598</u>                                | <u>\$ 272,478</u> | <u>\$ 137,988</u> | <u>\$ 1,906,064</u> | <u>\$ 222,105</u>   |

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2006**

|                                  | <b>PRIVATE<br/>PURPOSE<br/>TRUST FUNDS</b> | <b>AGENCY<br/>FUNDS</b> |
|----------------------------------|--|-------------------------|
| <b><u>ASSETS</u></b>             |  |                         |
| CASH AND SHORT-TERM INVESTMENTS  | \$ 20,841                                  | \$ 181,711              |
| INVESTMENTS                      | 38,613                                     | -                       |
| DUE FROM VENDORS                 | -  | 113,808                 |
| TOTAL ASSETS                     | 59,454                                     | 295,519                 |
| <b><u>LIABILITIES</u></b>        |  |                         |
| OTHER LIABILITIES                | -  | 295,519                 |
| TOTAL LIABILITIES                | -  | 295,519                 |
| <b><u>NET ASSETS</u></b>         |  |                         |
| HELD IN TRUST FOR OTHER PURPOSES | \$ 59,454                                  | \$ -                    |

**See accompanying notes to the basic financial statements**

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FISCAL YEAR ENDED JUNE 30, 2006**

|  | <b>PRIVATE<br/>PURPOSE<br/>TRUST FUNDS</b> |
|--|--|
| <b><u>ADDITIONS:</u></b>               |  |
| NET INVESTMENT INCOME (LOSS):          |  |
| INVESTMENT INCOME                      | \$ 3,073                                   |
| <b><u>DEDUCTIONS:</u></b>              |  |
| EDUCATIONAL SCHOLARSHIPS               | 300  |
| CHANGE IN NET ASSETS                   | 2,773                                      |
| <b>NET ASSETS AT BEGINNING OF YEAR</b> | <b>56,681</b>                              |
| <b>NET ASSETS AT END OF YEAR</b>       | <b>\$ 59,454</b>                           |

**See accompanying notes to the basic financial statements**

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

Primary Government

The Town is a municipal corporation that is governed by a three 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<br/>Assessment</u> |
|---|---------------------------------|--|------------------------------|
| Southeast Regional Vocational School District | To provide vocational education | 250 Foundry Street<br>Easton, MA 02375 | \$ 288,767                   |

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, 2006**

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

*Major Fund Criteria*

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

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

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

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

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

Government-Wide Financial Statements

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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

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

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

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

*Fund Financial Statements*

***Governmental Fund Financial Statements***

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

Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when due, and the non current portion of compensated absences, and landfill post closure care costs 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, 2006**

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The Town reports the following major governmental funds:

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

***Proprietary Fund Financial Statements***

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

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

The following major proprietary funds are reported:

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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Additionally, the following proprietary fund type is reported:

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

**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 *Agency fund* is used to account for assets held in a purely custodial capacity

**Government-Wide and Fund Financial Statements**

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

**D. Cash and Investments**

*Government-Wide and Fund Financial Statements*

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

**E. Accounts Receivable**

*Government-Wide and Fund Financial Statements*

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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*Real Estate, Personal Property Taxes and Tax Liens*

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

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

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

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

*Motor Vehicle Excise*

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

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

*Water and Sewer*

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

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

*Departmental and Other*

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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

**G. Capital Assets**

*Government-Wide and Proprietary Fund Financial Statements*

Capital assets, which include land, vehicles, buildings and improvements, capital improvements, machinery and equipment, infrastructure (e.g., water mains, sewer mains, 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. The Town has elected to implement the reporting of its general infrastructure assets of the governmental activities in fiscal year ending June 30, 2007. Current infrastructure additions are being recorded as they occur. 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 five 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<br/>Useful Life<br/>(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  |

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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

*Fund Financial Statements*

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

**I. Interfund Transfers**

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**J. Deferred Revenue**

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**K. Net Assets and Fund Equity**

*Government-Wide Financial Statements (Net Assets)*

Net assets are classified into three components:

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

Net assets have been “restricted” for the following:

- *Streets* represent amounts committed by the Commonwealth 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 purpose* represents restrictions placed on assets from outside parties.
- c. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund Financial Statements (Fund Balances)*

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

Fund balances have been reserved for the following:

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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Fund balances have been designated for the following:

- *Subsequent year's expenditures* represents amounts appropriated for the fiscal year 2007 operating budget.
- b. *Undesignated fund balances* – all other fund balances that do not meet the definition of “reserved” or “designated.”

**L. Long-term debt**

*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

**M. Investment Income**

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

**N. Compensated Absences**

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

*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2006 is recorded in the governmental fund financial statement.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**O. Post Retirement Benefits**

*Government-Wide and Fund Financial Statements*

In addition to providing pension benefits, health and life insurance coverage is provided for retired employees and their survivors in accordance with, Chapter 32B, of Massachusetts General Laws, under various contributory plans. The cost of providing health and life insurance is recognized by recording the employer's 50% or 70% (depending on the coverage selected) share of insurance premiums in the general fund in the fiscal year paid. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims. For the fiscal year ended June 30, 2006, this expense/expenditure totaled approximately \$828,935. There were approximately 285 participants eligible to receive benefits at June 30, 2006.

**P. 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.

**Q. Total Column**

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*A. Budgetary Basis of Accounting*

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

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

Original and supplemental appropriations are enacted upon by a Town Meeting vote. Management may not amend the budget without seeking the approval of the governing body. The Town's Finance Committee can legally transfer funds from its reserve fund to other appropriations within the budget without seeking Town Meeting approvals. The original fiscal year 2006 approved budget authorized \$41,096,386 in current year appropriations and other amounts to be raised and \$538,197 in articles carried forward from previous fiscal years. Supplemental appropriations of \$630,000 were approved at two Special Town Meetings during fiscal year 2006.

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, 2006, is presented below:

|  |                          |
|--|--------------------------|
| Net change in fund balance - budgetary basis             | \$ 811,084               |
| Basis of accounting differences:                         |                          |
| Increase in revenue for on-behalf payments - MTRS        | 3,639,724                |
| Increase in expenditures for on-behalf payments - MTRS   | (3,639,724)              |
| Adjustment for Current Year Encumbrances                 | 487,405                  |
| Adjustment for Current Year Articles                     | 346,555                  |
| Adjustment for expenditures from prior year encumbrances | <u>(798,604)</u>         |
| Net change in fund balance - GAAP basis                  | <u><u>\$ 846,440</u></u> |

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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*C. Excess of Expenditures over Appropriations*

For the fiscal year ended June 30, 2006, actual expenditures exceeded appropriations for snow and ice, and the highway expenditures account. These over-expenditures will be funded by available funds during fiscal year 2007.

*D. Deficit Fund Balances*

Several individual fund deficits exist within the special revenue and capital projects funds. These individual deficits will be eliminated through subsequent fiscal year budget transfers, grants and proceeds of long-term debt during fiscal year 2007.

**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.

*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. The Town carries deposits that are fully insured by FDIC insurance, DIF insurance or collateralized with securities held by the Town or the Town's agent in the Town's name. The Town also carries deposits that are not collateralized and are uninsured. As of June 30, 2006, the bank balances of uninsured and uncollateralized deposits are \$25,497,732.

*Investments*

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

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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The following is a listing of the primary government's investments as of June 30, 2006:

Investments:

Common stock \$ 38,613

*Custodial Credit Risk – Investments*

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 does not have an investment policy for custodial credit risk.

*Credit Risk*

The Town has not adopted a formal policy related to Credit Risk.

**NOTE 4 – RECEIVABLES**

The receivables at June 30, 2006 for the Town's individual major and nonmajor governmental funds internal service fund, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| Receivables                             | Gross<br>Amount            | Allowance<br>for<br>Uncollectibles | Net<br>Amount              |
|---|----------------------------|------------------------------------|----------------------------|
| Real estate and personal property taxes | \$ 380,649                 | \$ (31,481)                        | \$ 349,168                 |
| Tax liens                               | 456,539                    | -                                  | 456,539                    |
| Motor vehicle excise taxes              | 309,061                    | (140,557)                          | 168,504                    |
| Departmental and other                  | 601,867                    | (150,446)                          | 451,421                    |
| Intergovernmental                       | <u>3,609,508</u>           | <u>-</u>                           | <u>3,609,508</u>           |
|   | <u><u>\$ 5,357,624</u></u> | <u><u>\$ (322,484)</u></u>         | <u><u>\$ 5,035,140</u></u> |

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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The receivables at June 30, 2006, for the enterprise funds consist of the following:

| Receivables:      | Gross<br>Amount        | Allowance<br>for<br>Uncollectibles | Net<br>Amount          |
|-------------------|------------------------|------------------------------------|------------------------|
| <i>Water</i>      |                        |                                    |                        |
| User fees         | \$ 279,796             | \$ -                               | \$ 279,796             |
| <i>Sewer</i>      |                        |                                    |                        |
| User fees         | 761,999                | -                                  | 761,999                |
| <i>Sanitation</i> |                        |                                    |                        |
| User fees         | 57,542                 | (10,625)                           | 46,917                 |
| <br>Total         | <br><u>\$1,099,337</u> | <br><u>\$ (10,625)</u>             | <br><u>\$1,088,712</u> |

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

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| Receivable Type:           | General<br>Fund        | Nonmajor<br>Governmental<br>Funds | Total                  |
|----------------------------|------------------------|-----------------------------------|------------------------|
| Property Taxes             | \$ 349,168             | \$ -                              | \$ 349,168             |
| Tax Liens                  | 456,539                | -                                 | 456,539                |
| Motor vehicle excise taxes | 168,504                | -                                 | 168,504                |
| Departmental and other     | -                      | 302,762                           | 302,762                |
| Intergovernmental          | 2,384,018              | 801,332                           | 3,185,350              |
| <br>Total                  | <br><u>\$3,358,229</u> | <br><u>\$ 1,104,094</u>           | <br><u>\$4,462,323</u> |

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

| <u>Governmental Activities:</u>                   | Beginning<br>Balance | Increases           | Decreases        | Ending<br>Balance    |
|---|----------------------|---------------------|------------------|----------------------|
| <u>Capital assets not being depreciated:</u>      |                      |                     |                  |                      |
| Land  | \$ 6,461,525         | \$ -                | \$ -             | \$ 6,461,525         |
| Construction in progress                          | 499,206              | 1,480,686           | -                | 1,979,892            |
| Total capital assets not being depreciated        | <u>6,960,731</u>     | <u>1,480,686</u>    | <u>-</u>         | <u>8,441,417</u>     |
| <u>Capital assets being depreciated:</u>          |                      |                     |                  |                      |
| Buildings and improvements                        | 45,866,099           | 240,696             | (780,940)        | 45,325,855           |
| Capital improvements (other than buildings)       | 114,316              | -                   | -                | 114,316              |
| Machinery and equipment                           | 607,343              | 228,862             | -                | 836,205              |
| Vehicles  | 5,521,878            | 799,837             | (141,039)        | 6,180,676            |
| Infrastructure                                    | 358,087              | 436,756             | -                | 794,843              |
| Total capital assets being depreciated            | <u>52,467,723</u>    | <u>1,706,151</u>    | <u>(921,979)</u> | <u>53,251,895</u>    |
| <u>Less accumulated depreciation for:</u>         |                      |                     |                  |                      |
| Buildings and improvements                        | (17,649,730)         | (1,237,162)         | 780,940          | (18,105,952)         |
| Capital improvements (other than buildings)       | (36,681)             | (7,595)             | -                | (44,276)             |
| Machinery and equipment                           | (552,816)            | (39,543)            | -                | (592,359)            |
| Vehicles  | (3,539,201)          | (402,252)           | 141,039          | (3,800,414)          |
| Infrastructure                                    | (4,475)              | (14,412)            | -                | (18,887)             |
| Total accumulated depreciation                    | <u>(21,782,903)</u>  | <u>(1,700,964)</u>  | <u>921,979</u>   | <u>(22,561,888)</u>  |
| Total capital assets being depreciated, net       | <u>30,684,820</u>    | <u>5,187</u>        | <u>-</u>         | <u>30,690,007</u>    |
| Total governmental activities capital assets, net | <u>\$ 37,645,551</u> | <u>\$ 1,485,873</u> | <u>\$ -</u>      | <u>\$ 39,131,424</u> |

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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| <u>Business-Type Activities:</u>                   | Beginning<br>Balance | Increases | Decreases | Ending<br>Balance |
|--|----------------------|-----------|-----------|-------------------|
| <u>Capital assets not being depreciated:</u>       |                      |           |           |                   |
| Land   | \$ 692,282           | \$ -      | \$ -      | \$ 692,282        |
| Construction in progress                           | 303,128              | 242,499   | -         | 545,627           |
| Total capital assets not being depreciated         | 995,410              | 242,499   | -         | 1,237,909         |
| <u>Capital assets being depreciated:</u>           |                      |           |           |                   |
| Buildings and improvements                         | 655,300              | -         | -         | 655,300           |
| Machinery and equipment                            | 398,756              | 90,144    | (33,118)  | 455,782           |
| Vehicles   | 55,000               | -         | -         | 55,000            |
| Infrastructure                                     | 11,212,172           | -         | -         | 11,212,172        |
| Total capital assets being depreciated             | 12,321,228           | 90,144    | (33,118)  | 12,378,254        |
| <u>Less accumulated depreciation for:</u>          |                      |           |           |                   |
| Buildings and improvements                         | (655,300)            | -         | -         | (655,300)         |
| Machinery and equipment                            | (364,944)            | (12,213)  | 33,118    | (344,039)         |
| Vehicles   | (8,750)              | (5,500)   | -         | (14,250)          |
| Infrastructure                                     | (3,249,546)          | (256,002) | -         | (3,505,548)       |
| Total accumulated depreciation                     | (4,278,540)          | (273,715) | 33,118    | (4,519,137)       |
| Total capital assets being depreciated, net        | 8,042,688            | (183,571) | -         | 7,859,117         |
| Total business-type activities capital assets, net | \$ 9,038,098         | \$ 58,928 | \$ -      | \$ 9,097,026      |

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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

| <b>Governmental Activities:</b>                       |              |
|---|--------------|
| General government                                    | \$ 142,862   |
| Public safety   | 169,525      |
| Education   | 1,236,791    |
| Public works  | 122,929      |
| Human services  | 17,125       |
| Culture and recreation                                | 11,732       |
| Total depreciation expense - governmental activities  | \$ 1,700,964 |
| <b>Business-Type Activities:</b>                      |              |
| Water   | \$ 212,255   |
| Sewer   | 57,235       |
| Sanitation  | 4,225        |
| Total depreciation expense - business-type activities | \$ 273,715   |

**Construction Commitments**

The Town has various active construction projects as of June 30, 2006. At year end the Town's commitments are as follows:

| Project                              | Spent<br>to Date | Remaining<br>Commitment |
|--------------------------------------|------------------|-------------------------|
| Joint Public Safety Building Project | \$ 893,785       | \$ 11,206,022           |

The Joint Public Safety Building Project was funded by the issuance of long term debt.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 6 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2006, are summarized as follows:

| <u>Operating Transfers Out:</u> | <u>Operating Transfers In:</u> |  |                        |
|---------------------------------|--------------------------------|--|------------------------|
|                                 | <u>General Fund</u>            | <u>Major Fund<br/>Joint<br/>Public Safety<br/>Building</u> | <u>Total</u>           |
| Nonmajor Governmental Funds     | \$ 607,000                     | \$2,200,000  | \$2,807,000 (1)        |
| Ahearn School Major Fund        | -                              | 92,224   | 92,224 (3)             |
| Water Enterprise Fund           | 413,832                        | -  | 413,832 (2)            |
| Sewer Enterprise Fund           | 47,682                         | -  | 47,682 (2)             |
| Sanitation Enterprise Fund      | 66,430                         | -  | 66,430 (2)             |
| <br>Total                       | <br><u>\$1,134,944</u>         | <br><u>\$2,292,224</u>                                     | <br><u>\$3,427,168</u> |

- (1) Represents budgeted transfer to supplement the operating budget.
- (2) Represents budgeted transfers from the various enterprise funds to the general fund
- (3) Represents budgeted transfer from the Ahearn School to the Joint Public Safety Building.

**NOTE 7 – SHORT-TERM FINANCING**

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

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

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

The following is a summary of changes in short-term debt for the year ended June 30, 2006:

| Type | Purpose                     | Rate (%) | Due Date  | Balance at June 30, 2005 | Renewed/ Issued | Retired/ Redeemed | Balance at June 30, 2006 |
|------|-----------------------------|----------|-----------|--------------------------|-----------------|-------------------|--------------------------|
| BAN  | School Construction - Ahern | 2.75     | 8/16/2005 | \$ 4,759,646             | \$ -            | \$ 4,759,646      | \$ -                     |

**NOTE 8 – LONG-TERM DEBT**

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

The following is a summary of the changes in long-term debt for the year ended June 30, 2006:

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

| Project          | Interest Rate (%) | Outstanding at June 30, 2005 | Issued      | Redeemed            | Outstanding at June 30, 2006 |
|------------------|-------------------|------------------------------|-------------|---------------------|------------------------------|
| School           | Var.              | \$ 1,470,000                 | \$ -        | \$ 245,000          | \$ 1,225,000                 |
| Title V          | Var.              | 133,205                      | -           | 11,100              | 122,105                      |
| Landfill Closure | 5.49              | 1,675,000                    | -           | 115,000             | 1,560,000                    |
| Senoir Center    | 5.38              | 410,000                      | -           | 35,000              | 375,000                      |
| Land Acquisition | 5.13              | 60,000                       | -           | 10,000              | 50,000                       |
| School           | 3.55              | 1,250,000                    | -           | 75,000              | 1,175,000                    |
| Land Acquisition | 4.75              | 1,425,000                    | -           | 75,000              | 1,350,000                    |
| School           | 3.84              | 4,689,000                    | -           | 263,000             | 4,426,000                    |
| Public Safety    | 3.84              | 8,929,000                    | -           | 490,000             | 8,439,000                    |
| Public Works     | 3.84              | 195,000                      | -           | 20,000              | 175,000                      |
| Total            |                   | <u>\$ 20,236,205</u>         | <u>\$ -</u> | <u>\$ 1,339,100</u> | <u>\$ 18,897,105</u>         |

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2006 are as follows:

| <u>Fiscal Year</u> | <u>Principal</u>            | <u>Interest</u>            | <u>Total</u>                |
|--------------------|-----------------------------|----------------------------|-----------------------------|
| 2007               | \$ 1,336,100                | \$ 762,371                 | \$ 2,098,471                |
| 2008               | 1,336,101                   | 712,408                    | 2,048,509                   |
| 2009               | 1,336,100                   | 662,196                    | 1,998,296                   |
| 2010               | 1,336,101                   | 609,737                    | 1,945,838                   |
| 2011               | 1,296,100                   | 556,892                    | 1,852,992                   |
| 2012-2016          | 5,070,502                   | 2,121,326                  | 7,191,828                   |
| 2017-2021          | 4,386,101                   | 1,108,196                  | 5,494,297                   |
| 2022-2025          | <u>2,800,000</u>            | <u>273,586</u>             | <u>3,073,586</u>            |
| <b>Total</b>       | <b><u>\$ 18,897,105</u></b> | <b><u>\$ 6,806,712</u></b> | <b><u>\$ 25,703,817</u></b> |

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

| <u>Project</u>           | <u>Interest Rate (%)</u> | <u>Outstanding at June 30, 2005</u> | <u>Issued</u>      | <u>Redeemed</u>          | <u>Outstanding at June 30, 2006</u> |
|--------------------------|--------------------------|-------------------------------------|--------------------|--------------------------|-------------------------------------|
| Sewer                    | Var.                     | \$ 335,668                          | \$ -               | \$ 23,607                | \$ 312,061                          |
| Sewer                    | Var.                     | 76,236                              | -                  | 4,985                    | 71,251                              |
| Sewer                    | Var.                     | 968,154                             | -                  | 52,540                   | 915,614                             |
| Sewer                    | 5.10                     | 100,000                             | -                  | 20,000                   | 80,000                              |
| Sewer                    | 3.86                     | 200,000                             | -                  | 10,000                   | 190,000                             |
| Land Acquisition - Water | 2.77                     | 80,000                              | -                  | 10,000                   | 70,000                              |
| Water Reuse              | 3.63                     | 2,065,000                           | -                  | 115,000                  | 1,950,000                           |
| Water                    | 3.64                     | 3,240,000                           | -                  | 180,000                  | 3,060,000                           |
| Water                    | Var.                     | 540,423                             | -                  | 24,132                   | 516,291                             |
| Water                    | Var.                     | <u>47,330</u>                       | <u>-</u>           | <u>12,374</u>            | <u>34,956</u>                       |
| <b>Total</b>             |                          | <b><u>\$ 7,652,811</u></b>          | <b><u>\$ -</u></b> | <b><u>\$ 452,638</u></b> | <b><u>\$ 7,200,173</u></b>          |

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2006 are as follows:

| <u>Fiscal Year</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|--------------------|---------------------|---------------------|---------------------|
| 2007               | \$ 444,100          | \$ 282,559          | \$ 726,659          |
| 2008               | 446,859             | 269,311             | 716,170             |
| 2009               | 449,465             | 252,630             | 702,095             |
| 2010               | 452,427             | 237,887             | 690,314             |
| 2011               | 433,991             | 215,561             | 649,552             |
| 2012-2016          | 2,205,412           | 825,036             | 3,030,448           |
| 2017-2021          | 2,061,012           | 360,946             | 2,421,958           |
| 2022-2025          | 706,907             | 33,584              | 740,491             |
| Total              | <u>\$ 7,200,173</u> | <u>\$ 2,477,514</u> | <u>\$ 9,677,687</u> |

**Loans Authorized and Unissued**

As of June 30, 2006, 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 and Land Acquisition      | 5/14/1990              | 70,000              |
| Water - Witch Pond              | 5/11/1998              | 4,300,000           |
| Public Safety Building          | 3/8/2004               | 2,199,462           |
| Public Safety Building          | 3/20/2006              | 2,315,538           |
| Total                           |                        | <u>\$ 9,015,000</u> |

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**Massachusetts School Building Authority Reimbursements**

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

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

The Town has been approved for a 68% percent state school construction grant through the Massachusetts School Building Authority (MSBA) to cover eligible project costs, including debt service associated with the financing of these projects, subject to annual appropriation by the state legislature. The Town received \$4,765,132 direct payments and \$166,260 from scheduled annual payments in FY 2006 from the MSBA for completed school construction projects.

**Changes in Long-term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2006:

| <u>Governmental Activities:</u>                         | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u>     | <u>Ending<br/>Balance</u> | <u>Current<br/>Portion</u> |
|---|------------------------------|------------------|-----------------------|---------------------------|----------------------------|
| Bonds and notes payable                                 | \$ 20,236,205                | \$ -             | \$ (1,339,100)        | \$ 18,897,105             | \$ 1,336,100               |
| Compensated absences                                    | 863,765                      | 68,724           | -                     | 932,489                   | 338,584                    |
| Landfill postclosure care costs                         | <u>840,000</u>               | <u>-</u>         | <u>(35,000)</u>       | <u>805,000</u>            | <u>35,000</u>              |
| Total governmental activities<br>long-term liabilities  | <u>\$ 21,939,970</u>         | <u>\$ 68,724</u> | <u>\$ (1,374,100)</u> | <u>\$ 20,634,594</u>      | <u>\$ 1,709,684</u>        |
|   |                              |                  |                       |                           |                            |
| <u>Business-Type Activities:</u>                        | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u>     | <u>Ending<br/>Balance</u> | <u>Current<br/>Portion</u> |
| Bonds and notes payable                                 | \$ 7,652,811                 | \$ -             | \$ (452,638)          | \$ 7,200,173              | \$ 444,100                 |
| Compensated absences                                    | <u>46,636</u>                | <u>-</u>         | <u>(14,777)</u>       | <u>31,859</u>             | <u>12,861</u>              |
| Total business-type activities<br>long-term liabilities | <u>\$ 7,699,447</u>          | <u>\$ -</u>      | <u>\$ (467,415)</u>   | <u>\$ 7,232,032</u>       | <u>\$ 456,961</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, 2006**

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**Overlapping Debt**

The Town pays assessments under formulas which include debt service payments to other governmental agencies providing services to the Town, (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of such governmental agencies and the estimated share being financed by the Town as of June 30, 2006:

| <u>Agency</u>  | <u>Total Long-<br/>Term Debt<br/>Outstanding</u> | <u>Town's<br/>Estimated<br/>Share</u> | <u>Town's<br/>Indirect<br/>Debt</u> |
|----------------|--|---------------------------------------|-------------------------------------|
| Norfolk County | <u>\$ 1,300,000</u>                              | 2.184%                                | <u>\$ 28,392</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, 2006 the total amount of conduit debt outstanding was \$60,385,000.

**NOTE 9 – STABILIZATION FUND**

At June 30, 2006, \$2,295,821 has been set aside in the stabilization fund, which is classified as a major fund in the governmental funds financial statements. The stabilization fund balance can be used for general and/or capital purposes as approved by Town Meeting vote.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 10 – RISK FINANCING**

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

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

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

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town’s liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2006.

The Town has a variety of self-insured contributory health care options. There are 612 employees and retirees who participate in the Town’s health care programs. Stop loss insurance is carried on all self-insured health care claims in excess of \$75,000 individually. The Town contributes 50% of the costs for the full indemnity plan and supplementary Medicare insurance. The Town contributes 70% of the costs for managed care costs. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The Town’s health insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. Liabilities for self-insured claims are reported when it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not recorded. As of June 30, 2006 and June 30, 2005, the only such liabilities are those related to the Town’s self-insured health care program. The Town established a liability based on historical trends for the previous fiscal years. Changes in the self-insured liability account in fiscal year 2006 and 2005 were as follows:

|   | Healthcare   |             |
|---|--------------|-------------|
|   | 2006         | 2005        |
| Liability at beginning of fiscal year       | \$ 610,882   | \$ 600,000  |
| Claims incurred for current fiscal year and |              |             |
| Changes in provisions for prior year        | 5,860,084    | 4,330,384   |
| Claims payments for current fiscal year     | (5,276,751)  | (4,319,502) |
| Liability at end of fiscal year             | \$ 1,194,215 | \$ 610,882  |

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 11 – PENSION PLAN**

*A. Plan Descriptions*

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

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

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

*B. Funding Policies*

Norfolk County Contributory Retirement System

Plan members are required to contribute to the “System” at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the “System”, its share of the remaining system-wide, actuarially determined, contribution plus administration costs, which are apportioned among the employers, based on active covered payroll. The Commonwealth of Massachusetts reimburses the “system” for a portion of the benefit payments for the cost of living increases. The contributions to the “System” for years ended June 30, 2006, 2005, and 2004 were \$1,508,491, \$1,250,361, and \$1,130,437, , 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 \$3,639,724 for fiscal year 2006. 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**  
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**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2006, 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 (23 years remaining), and the estimated liability has been recorded in the Statement of Net Assets, Governmental Activities. The \$805,000 reported as landfill post-closure liability at June 30, 2006 is based on what it would cost to perform all post-closure care at June 30, 2006. 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, 2006, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2006.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
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**NOTE 13 – SUBSEQUENT EVENT**

On August 15, 2006, the Town issued general obligation bonds totaling \$4,515,000 for the purpose of financing the construction of joint public safety building. Principal is payable in variable amounts beginning on August 15, 2007, through August 15, 2027. Interest is payable semi-annually on August 15<sup>th</sup> and February 15<sup>th</sup> beginning February 15, 2007. The coupon interest rate is variable through the term of the bonds.

**NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2006, the following GASB pronouncements were implemented:

GASB issued Statement #42, *Accounting and Financial Reporting for Implementation of Capital Assets and for Insurance Recoveries*, which is required to be implemented in Fiscal 2006. This pronouncement did not impact the basic financial statements.

GASB issued Statement #44, *Economic Condition Reporting: The Statistical Section*, which is required to be implemented in Fiscal 2006. This new GASB establishes and modifies requirements related to supplementary information presented in a statistical section. This pronouncement did not impact the basic financial statements.

GASB issued Statement #46, *Net Assets Restricted by Legislation an amendment of GASB Statement No. 34*. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government-such as citizens, public interest groups, or the judiciary-can compel a government to honor. It requires governments to disclose the portion of total net assets that is restricted by enabling legislation. This pronouncement did not impact the basic financial statements.

The GASB issued Statement #48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* which is required to be implemented in FY2008. Management has elected to implement this GASB early. This pronouncement did not impact the basic financial statements.

*Other Future GASB Pronouncements:*

The GASB issued Statement #43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in Fiscal 2008. Since there is no legally established separate trust for the postemployment benefit plan this pronouncement will not impact the basic financial statements.

The GASB issued Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented in Fiscal 2009. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.