

TOWN OF FOXBOROUGH, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Foxborough, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Foxborough, Massachusetts, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Foxborough, Massachusetts's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Foxborough, Massachusetts as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, in Fiscal Year 2018 the Town adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and Norfolk County Contributory Retirement System schedules - Town's proportionate share of the net pension liability, and Town's contribution, Massachusetts Teachers Retirement System's schedule of the Commonwealth's Collective amounts of the Net Pension Liability, Other Postemployment Benefit schedules - Town's Net OPEB Liability and Related Ratios, Town's contribution, and investment return, and notes to required supplementary information on pages 3 – 13, 76 – 77, 78, 79 – 81 and 82 - 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2019, on our consideration of Town of Foxborough, Massachusetts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Town of Foxborough, Massachusetts's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Foxborough, Massachusetts's internal control over financial reporting and compliance.



Certified Public Accountant

May 20, 2019

Management's Discussion and Analysis

As management of the Town of Foxborough (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. We encourage readers to consider this information in addition to the statements and notes.

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

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$53.1 million (net position), including charges to the FY 2018 balance sheet associated with its pension liability - \$34.7 million and OPEB liability - \$27.22 million. The OPEB charge was restated as of June 30, 2017 due to the Town implementing the reporting requirements of GASB Statements No.'s 74 and 75. The Town's overall unrestricted negative net position deteriorated by \$12.03 million, from -\$27.86 million to -\$41.14 million as a result of the restatement.
- The unrestricted negative net position of the Town's governmental activities is -\$48.79million, primarily driven by the 100% inclusion of the net pension liability of \$33.95 million and the deferred inflow of resources of \$5.1 million. The unrestricted net position of the Town's business-type activities is \$7.6million and may be used to meet the ongoing obligations of the Town's water and sewer business-type activities. Included in the business-type activities are charges of \$707 thousand related to the net pension liability and \$769 thousand associated with the OPEB liability.
- Governmental activities total net position decreased \$312 thousand, or 0.09, in fiscal 2018 after the restatement of beginning net position resulting from the implementation of GASB Statements No.'s 74 and 75. Business type activities total net position increased \$1.6 million, or 7.87% in fiscal 2018.
- At June 30, 2018, the Town's governmental funds had a combined ending fund balance of \$24.65 million. Combined governmental funds balance decreased by \$781 thousand, or -3.1%, from the prior year. A total of \$10.1million, or 41.1%, of the \$24.65 million fund balance is considered unassigned at June 30, 2018. This represents a \$1.37 million, or 12%, decrease over FY '17.
- The Town's general fund reported a fund balance of \$17.7 million at the end of fiscal 2018. The unassigned fund balance for the general fund was \$10.28 million, or 12.9%, of total FY '18 general fund expenditures. This represents a \$990 thousand decrease in total general fund balance. A total of \$2.7 million of the unassigned fund balance is designated for funding the fiscal 2019 budget.
- The total cost of all Town services on a full accrual basis for fiscal 2018 was \$91.6 million, \$85.4 million of which was for governmental services, and \$6.22 million of which was for business-type activities, for an overall 7.5% increase compared to fiscal 2017. Changes were generally evenly distributed amongst the various Town service areas except for Employee Benefits which saw a significant increase over FY '17 due to the effects of implementing GASB Statements No.'s 74 and 75.
- The Town's total bonded debt decreased by a net of \$3.77million or 7.21% during the year. The change was entirely related to scheduled amortization and no new debt obligations.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis:

The chart on page 8 summarizes key financial components of the Town’s financial statements.

As noted above, assets exceed liabilities by \$53.1 million at the close of fiscal year 2018, net of the \$61.88 million in charges for the contingent pension and OPEB liabilities. The Town is able to report positive balances in net position for both the government as a whole, and for each of its governmental and business-type activities in total.

A key component of the Town's net position is its *unrestricted net position* totaling -\$41.14 million, which decreased by \$13.28 million. This change is entirely driven by the change in net other post-employment benefits (OPEB) liability. The change is a direct result of implementing the reporting requirements of GASB Statements 74/75. The change was effective for the year ending June 30, 2017 and a restatement of beginning net position is recognized in the financial statements for the year ended June 30, 2018. Management has developed a funding plan and anticipates fully funding the net OPEB obligation by FY 2038.

Before Statements 74 and 75, GASB statement 45 established the reporting standards for Other Postemployment Benefit ("OPEB") plans. It was designed to recognize the Other Postemployment Benefits earned by employees throughout their working career vs. when they are paid in retirement – accrual accounting vs. "pay-as-you-go" accounting. Additionally, each eligible active employee earns benefits each year representing benefits to be paid in retirement or a "Service Cost". These amounts are reflected in your financial statement each year so that OPEB benefits for an eligible employee shall be fully charged to the financial statement when that eligible employee terminates employment.

In 2012 GASB issued GASB Statements 67 and 68 to update and standardize the financial reporting of pension liabilities. This increased the transparency of pension liabilities by moving them to the balance sheet and made financial statement disclosures of pension liabilities more comparable between municipal entities. GASB Statements 74 and 75 are designed to have the same effect on OPEB plans.

GASB 74 and 75 require retiree medical plans to disclose information about asset and liability levels and show historical contribution information. GASB 74 only applies in situations where a separate trust is established to prefund these benefits. GASB 75 requires employers to perform periodic actuarial valuations to determine annual accounting costs and to keep a running tally of the extent to which these amounts are over or under funded. GASB 74 and 75 apply to those benefits provided after retirement, except for pension benefits, such as medical, dental and life insurance. The philosophy behind the accounting standard is that these post-employment benefits are part of the compensation earned by employees in return for their services, and the cost of these benefits should be recognized while employees are providing those services, rather than after they have retired. This philosophy has already been applied for years to defined benefit pensions; GASB 74 and 75 extend this practice to all other post-employment benefits.

The Town's investment in capital assets (e.g., land, roads, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets, is \$79.31 million, or 149%, of net position. The Town uses these capital assets to provide services to citizens; consequently, these assets *are not* available for future spending. Although the investment in the Town's capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of Governmental activities decreased by \$312 thousand, a 0.99% decrease from fiscal 2017. Net position of business-type activities increased by \$1.60 million or 7.87%, from 2017. Total Town net position decreased by \$10.96 million, or 17.11%.

The \$312 thousand decrease in Governmental activities net position is attributable to a restatement of (reduction in) beginning net position of \$11.72 million, general operating revenue of \$58.87 million, program revenues of \$26.24 million, net operating transfers in of \$377 thousand, less total expenses of \$85.43 million. Total revenues increased by \$2.52 million, or 3.07%, while total expenses increased \$5.83 million, or 7.33%.

Net position of business-type activities increased by \$1.60 million, or 7.87%, as a result of the following: operating revenue exceeded expenses and depreciation by \$1.98million; \$ 47.4 thousand was received via intergovernmental grants; \$ 63.7 thousand was earned in interest; interest expense was \$703.6 thousand; and the net of transfers out for costs incurred in the general fund were \$377.1 thousand.

There was an increase of \$895 thousand, or 5.1%, in net position reported in connection with the water business-type activities. This healthy improvement reflects the continuing successful strategy of rate setting policy that will sustain the long-term maintenance and improvement of the Town's water system with steady (not choppy) and predictable rate increases.

There was an increase of \$707 thousand, or 24.5%, in net position in connection with the sewer business-type activities. This very positive result is due to the Town's participation in the relatively new regional sewer partnership that has significantly increased the Town's available sewer capacity. The Town continues to see strong interest from commercial developers as a result, and those developers are building in Foxborough and purchasing the valuable sewer capacity for their businesses. This trend is in the early stages for the Town's next cycle of commercial property tax growth.

An additional portion of the Governmental activities total net position of \$14.58 million, or 46.8%, represents resources subject to external restrictions on how they may be used. Of this amount \$2 million is Ambulance Receipts that can be used for Fire department operating and capital budgets, \$2.43 million is designated for the FY 2019 operating and capital budgets, and \$1.6 million are continued appropriations for specific purposes.

Town of Foxborough - Financial Highlights

	Governmental Activities			Business-Type Activities			Total Primary Government		
	FY 2018	FY 2017	Increase/ (Decrease)	FY 2018	FY 2017	Increase/ (Decrease)	FY 2018	FY 2017	Increase/ (Decrease)
Assets:									
Current Assets	\$ 31,469,770	\$ 32,659,191	\$ (1,189,421)	\$ 22,654,142	\$ 24,378,859	\$ (1,724,717)	\$ 54,123,912	\$ 57,038,050	\$ (2,914,138)
Capital Assets	90,541,323	91,806,985	(1,265,662)	25,678,141	24,150,506	1,527,635	116,219,464	115,957,491	261,973
Total Assets	122,011,093	124,466,176	(2,455,083)	48,332,283	48,529,365	(197,082)	170,343,376	172,995,541	(2,652,165)
Deferred Outflow of Resources:	7,203,347	3,503,745	3,699,602	151,284	72,965	78,319	7,354,631	3,576,710	3,777,921
Liabilities:									
Current Liabilities (excluding debt)	5,270,832	5,867,535	(596,703)	274,663	580,303	(305,640)	5,545,495	6,447,838	(902,343)
Noncurrent Liabilities (excluding debt)	62,115,199	48,589,058	13,526,141	1,554,517	979,256	575,261	63,669,716	49,568,314	14,101,402
Current Debt	2,392,683	2,398,173	(5,490)	1,509,068	1,506,693	2,375	3,901,751	3,904,866	(3,115)
Noncurrent Debt	22,803,422	25,196,105	(2,392,683)	23,036,573	24,545,641	(1,509,068)	45,839,995	49,741,746	(3,901,751)
Total Liabilities	92,582,136	82,050,871	10,531,265	26,374,821	27,611,893	(1,237,072)	118,956,957	109,662,764	9,294,193
Deferred Inflow of Resources:	5,470,693	2,720,834	2,749,859	163,687	118,651	45,036	5,634,380	2,839,485	2,794,895
Net Position:									
Net Investment in Capital Assets	65,016,778	64,105,317	911,461	14,290,669	13,464,269	826,400	79,307,447	77,569,586	1,737,861
Restricted	14,939,241	14,360,658	578,583	-	-	-	14,939,241	14,360,658	578,583
Unrestricted	(48,794,408)	(35,267,759)	(13,526,649)	7,654,390	7,407,517	246,873	(41,140,018)	(27,860,242)	(13,279,776)
Total Net Position	\$ 31,161,611	\$ 43,198,216	\$ (12,036,605)	\$ 21,945,059	\$ 20,871,786	\$ 1,073,273	\$ 53,106,670	\$ 64,070,002	\$ (10,963,332)
Revenues									
<i>Program revenues:</i>									
Charges for services	5,695,892	5,730,563	(34,671)	7,511,033	6,764,091	746,942	13,206,925	12,494,654	712,271
Operating grants and contributions	19,894,191	19,421,412	472,779	636,975	1,789,599	(1,152,624)	20,531,166	21,211,011	(679,845)
Capital grants and contributions	651,035	724,822	(73,787)	47,445	61,501	(14,056)	698,480	786,323	(87,843)
<i>General revenues:</i>									
Real Estate and Personal Property taxes	46,956,406	44,634,680	2,321,726	-	-	-	46,956,406	44,634,680	2,321,726
Tax Liens	226,808	262,231	(35,423)	-	-	-	226,808	262,231	(35,423)
Motor vehicle and other excise taxes	3,055,299	2,948,125	107,174	-	-	-	3,055,299	2,948,125	107,174
Payments in lieu of taxes	2,972,305	3,663,475	(691,170)	-	-	-	2,972,305	3,663,475	(691,170)
Hotel/Motel Tax	2,799,645	2,476,599	323,046	-	-	-	2,799,645	2,476,599	323,046
Penalties and Interest on taxes	277,908	264,971	12,937	-	-	-	277,908	264,971	12,937
Nonrestricted grants and contributions	1,781,833	1,661,354	120,479	-	-	-	1,781,833	1,661,354	120,479
Unrestricted investment income	339,606	264,337	75,269	-	-	-	339,606	264,337	75,269
Other revenues	87,487	166,008	(78,521)	-	-	-	87,487	166,008	(78,521)
Total Revenues	84,738,415	82,218,577	2,519,838	8,195,453	8,615,191	(419,738)	92,933,868	90,833,768	2,100,100
Expenses:									
General Government	4,213,292	3,821,417	391,875	-	-	-	4,213,292	3,821,417	391,875
Public Safety	9,958,834	9,244,427	714,407	-	-	-	9,958,834	9,244,427	714,407
Education	41,679,989	40,491,992	1,187,997	-	-	-	41,679,989	40,491,992	1,187,997
Public Works	3,582,364	3,287,781	294,583	-	-	-	3,582,364	3,287,781	294,583
Human Services	1,130,372	987,248	143,124	-	-	-	1,130,372	987,248	143,124
Culture and Recreation	1,952,475	1,853,567	98,908	-	-	-	1,952,475	1,853,567	98,908
Employee Benefits	21,742,631	18,696,528	3,046,103	-	-	-	21,742,631	18,696,528	3,046,103
State and County assessments	426,050	420,323	5,727	-	-	-	426,050	420,323	5,727
Interest	742,094	792,058	(49,964)	-	-	-	742,094	792,058	(49,964)
Water	-	-	-	4,885,744	4,330,182	555,562	4,885,744	4,330,182	555,562
Sewer	-	-	-	1,330,642	1,308,795	21,847	1,330,642	1,308,795	21,847
Total Expenses	85,428,101	79,595,341	5,832,760	6,216,386	5,638,977	577,409	91,644,487	85,234,318	6,410,169
Transfers (in/out)	377,099	690,403	(313,304)	(377,099)	(690,403)	313,304	-	-	-
Change in Net Position	(312,587)	3,313,639	(3,626,226)	1,601,968	2,285,811	(683,843)	1,289,381	5,599,450	(4,310,069)
Prior Period Adjustment - OPEB	(11,724,018)	-	(11,724,018)	(528,695)	-	(528,695)	(12,252,713)	-	(12,252,713)
Net Position - Beginning	43,198,216	39,884,577	3,313,639	20,871,786	18,585,975	2,285,811	64,070,002	58,470,552	5,599,450
Net Position - Ending	\$ 31,161,611	\$ 43,198,216	\$ (12,036,605)	\$ 21,945,059	\$ 20,871,786	\$ 1,073,273	\$ 53,106,670	\$ 64,070,002	\$ (10,963,332)

Financial analysis of the Government's Funds

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

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

As of the end of the fiscal year 2018, governmental funds reported combined ending fund balances of \$24.64 million, a \$781 thousand decrease from the prior year's ending fund balance. The net change reflects a net \$990 thousand Governmental fund balance decrease due to general fund expenditures being more than combined general fund revenues and operating transfers in and out. The EMS, or Ambulance Receipts, fund balance increased \$559 thousand due to committed transfers in and revenues exceeding committed transfers out. . Finally, there was a net \$350 thousand reduction across several non-major governmental fund accounts above amounts received or transferred in and out.

The General fund is the primary operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10.28 million, while total fund balance stood at \$17.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund budgetary expenditures. Unassigned fund balance represents 12.97% of total general fund budgetary expenditures, while total fund balance represents 22.4% of that same amount.

Actual General fund revenues (on budgetary basis) exceeded budgeted revenues by 2.11% or \$1.44. million in FY 2018, due primarily to growth in property taxes associated with new property tax growth and allowable annual increases as per proposition 2 ½ (\$2.61 million); four of the other six revenue categories each increased by a combined total of \$1.51 million; payments in lieu of taxes (primarily Gillette Stadium lease payments) were up \$974 thousand following a down year in FY 2017; and departmental receipts decreased \$643 thousand.

Conversely, general fund budgetary expenditures, including operating and capital spending, increased by 7.3% or \$5.83 million driven primarily by increases in employee benefits (\$3.05 million) , and education, public safety and public works (\$2.2 million)., After accounting for other financing sources and uses, the budgetary fund balance of the general fund was decreased by \$2.19 million to \$11.15 million.

The Stabilization funds, which are now included within the General Fund as per GASB 54, has accumulated balances of \$5.76 million, which represents 7.89% of FY 2018 general fund budgetary expenditures. \$3.67 million of these funds is considered "Unassigned" and \$2.09 million is considered "Assigned". However, all of these funds can be used for general or capital purposes upon Town Meeting approval.

The Emergency Medical Services fund balance increased by \$559thousand to \$2.57 million. All other Non-Major Governmental Fund balances decreased in total by \$ 350 thousand to \$4.35 million as a result of \$5.92 million received in revenues less \$6.45 million in expenditures and a net of \$184 thousand in transfers in.

General Fund Budget Highlights

Actual FY 2018 general fund revenues exceeded budgeted revenues by \$ 1.4million, primarily driven by conservatively estimated local receipts and strong property tax collection performance, with payments in lieu of taxes providing a healthy \$974 thousand positive variance to budget. General fund expenses were \$883 thousand less than budget in total due to management's continued focus on cost containment and focused budget management. This result includes a legal snow & ice removal deficit of \$398 thousand. Despite the extra winter expense, management's continued, well-practiced, and disciplined approach to spending sustains and improves the Town's service levels in an improved economic environment. Net operating transfers in/out were more than planned by \$128.3 thousand, at \$1.08 million. The net result was a, \$2.19 million decrease to FY 2018 budgetary fund balance, at \$11.15 million, driven primarily by a \$697 thousand increase in education expenditures.

Capital Asset and Debt Administration

Capital Assets - In conjunction with the operating budget, the Town annually prepares capital budgets for the upcoming fiscal year in addition to a five year capital plan.

The Town’s ownership of, or investment in, capital assets for governmental and business type activities, as summarized below, as of June 30, 2018, amounts to \$116.2 million, net of accumulated depreciation. The value in capital assets includes land, buildings, capital improvements, machinery, equipment, software, vehicles, water, sewer, and roadway infrastructure and construction in progress.

The governmental activities capital assets were increased by \$3.41 million and reduced by a net of \$4.68 million in depreciation during fiscal 2018, for a net \$1.27 million decrease. The net decrease was attributable to normal depreciation on existing assets. However, during FY 2018 significant fixed asset acquisitions included: continued construction in progress on the New Town Hall for \$1.27million; a new fire engine for \$565 thousand; construction in progress on the Burrell School for \$400 thousand; and \$702 thousand for roadway reconstruction and improvements.

Business-type activities capital assets were increased by \$2.62 million in investments and reduced by \$1.09 million in depreciation for a net increase of \$1.53 million. The asset increases were primarily due to various water and sewer system infrastructure improvements of \$809 thousand and \$447

In summary, total increases net of depreciation to town wide capital assets are \$262 thousand.

Capital Assets (Net of Depreciation)									
	Governmental Activities			Business-type Activities			Total Primary Government		
	FY 2018	FY 2017	Increase (Decrease)	FY 2018	FY 2017	Increase (Decrease)	FY 2018	FY 2017	Increase (Decrease)
Land	\$ 6,537,225	\$ 6,537,225	\$ -	\$ 692,282	\$ 692,282	\$ -	\$ 7,229,507	\$ 7,229,507	\$ -
Buildings	60,000,208	62,028,549	(2,028,341)	30,717	-	30,717.00	60,030,925	62,028,549	(1,997,624)
Capital Improvements (other than buildings)	868,633	946,551	(77,918)	-	-	-	868,633	946,551	(77,918)
Machinery and Equipment	2,046,738	2,068,224	(21,486)	1,359,228	1,482,052	(122,824)	3,405,966	3,550,276	(144,310)
Software	36,710	83,858	(47,148)	-	-	-	36,710	83,858	(47,148)
Vehicles	3,933,226	3,776,654	156,572	164,697	236,749	(72,052)	4,097,923	4,013,403	84,520
Infrastructure	16,625,643	16,340,239	285,404	17,955,722	18,326,461	(370,739)	34,581,365	34,666,700	(85,335)
Construction in Progress	492,940	25,685	467,255	5,475,495	3,412,962.00	2,062,533	5,968,435	3,438,647	2,529,788
Total Capital Assets	\$ 90,541,323	\$ 91,806,985	\$ (1,265,662)	\$ 25,678,141	\$ 24,150,506	\$ 1,527,635	\$ 116,219,464	\$ 115,957,491	\$ 261,973

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, 2018, totaled \$48.5 million. Business-type activities have debt of \$23.82 million that is fully supported by their respective utility rates. Total debt consists of the following:

Outstanding Debt at Year End

Governmental Activities	Outstanding June 30, 2018	Outstanding June 30, 2017	Increase (Decrease)
High School Renovation	\$ 6,240,000	\$ 6,760,000	\$ (520,000)
Library Renovation	4,965,000	5,320,000	(355,000)
Title V	450,000	480,000	(30,000)
Landfill Closure	190,000	285,000	(95,000)
School	260,000	325,000	(65,000)
Land Acquisition	440,000	515,000	(75,000)
Town Hall Renovation	6,170,000	6,515,000	(345,000)
Ahern School Building	1,407,000	1,617,000	(210,000)
Public Safety Building	4,560,000	5,178,000	(618,000)
School Remodeling	39,000	46,000	(7,000)
Total Governmental Activities	\$ 24,721,000	\$ 27,041,000	\$ (2,320,000)
Business-type Activities	Outstanding June 30, 2018	Outstanding June 30, 2017	Increase (Decrease)
Sewer	\$ 10,000	\$ 15,000	(5,000)
Sewer	155,083	230,530	(75,447)
Sewer	64,000	74,000	(10,000)
Water	2,558,822	2,764,725	(205,903)
Water	4,060,000	4,350,000	(290,000)
Water	13,814	16,115	(2,301)
Water Reuse	535,000	645,000	(110,000)
Water	845,000	1,015,000	(170,000)
Water	180,000	215,000	(35,000)
Water Treatment Facility	15,400,000	15,950,000	(550,000)
Total Business-type Activities	\$ 23,821,719	\$ 25,275,370	\$ (1,453,651)
Total Primary Government	\$ 48,542,719	\$ 52,316,370	\$ (3,773,651)

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

Economic Factors and Next Year's Budgets & Rates

The Town's leadership (elected and appointed officials) considered many factors when setting the fiscal 2019 budget and tax rates including the following:

- The FY 2019 operating budget was balanced and approved within identified available revenues while maintaining and improving service levels. The operating budget came in at \$75.91 million, a 4.03% increase over FY '18, including reserves for unsettled union contracts and contributions to the stabilization funds and OPEB Trust Fund. FY 2019 Municipal (non-school) budgets increased 6.7%. The School budget increased 2.6%. "Fixed Costs" within the General Fund increased 3.9% driven primarily by Pension cost obligations (10%), resulting in an overall General Fund increase of 3.90%. Water and Sewer enterprise budgets increased by a combined 5.0%, resulting in the total Town operating budget increasing by 4.03%.
- The FY 2019 capital budget was funded at the Annual Town Meeting with \$3.17M for all critical needs, and all without the need to borrow. Within this budget the State's highway fund grant of \$650K was able to be supplemented with \$210K of Town funds, all originating from the local meals tax.
- Free Cash was certified at the close of FY 2018, in October 2018, at \$6.3 million.
- Foxborough has secured approval and state matching funding from the Massachusetts School Building Authority (MSBA) for the renovation and expansion of one of its three elementary schools, The Burrell project is currently estimated at a total cost of ~\$35 million, with approximately half of that being the Town's share. The Town has committed \$2.1 million from the Capital Stabilization account, as well as \$1 million from Overlay Surplus, \$200K from free cash, and \$64K from the residual of the previously approved Burrell Elementary School Building Study, so that the amount bonded will be in the \$13 - \$14 million range. By funding the project in this manner the Town avoided the need for a debt exclusion to pay back the bond issue. Actual bonding is not anticipated until the winter or spring of 2020.
- In the interest of savings and efficiency, the Town has entered into yet another regional partnership with three other surrounding communities regarding public safety dispatch services. The dispatch partnership has received an initial \$1.5 million grant award towards the establishment of a single dispatch center for all four communities, with additional grant awards anticipated. The financial impact of this effort will be a net reduction in each Town's cost of dispatch operations as well as significant communications investment cost savings. The regional dispatch center is expected to be operational in FY 2020.
- FY 2019 was the third full year of the Town's centralized building maintenance department for all School and Town owned buildings. Building on the success of the centralized information systems department partnership between Town & School, management has wrapped the responsibility of maintaining all of its buildings under the already existing School maintenance department. The Town side did not have such a function. However, with minimal staff additions and the establishment of an appropriate maintenance budget, the Town is now well positioned to maximize the useful life of all of its facilities. These efficiencies within the Town government are the direct result of the continuing excellent partnership across Town and School leadership and its employees.
- The state passed legislation allowing Massachusetts municipalities to pass a Local Option Meals Tax of 0.75% with 100% of the revenue going to the local municipality. Foxborough enacted this tax effective for FY 2012. Annual revenues have grown from \$667 thousand to \$1.03 million in FY 2018. Meals tax receipts are forecast to continue to grow as the community continues to add dining establishments.
- The Board of Selectmen's voted policy is to only use the Meals Tax revenue stream for non-operating uses such as funding the Town's Other Post-Employment Benefits (OPEB) obligations, roadway improvements and possibly other capital projects. In FY '19 the Town is committing \$900 thousand of meals tax revenues towards the OPEB liability, bringing the cumulative meals tax funding of the OPEB liability to \$5.1 million. The balance, or .3.1 million, has been committed to road reconstruction projects in support of the Town's street-by-street pavement management plan.

- The \$5.1 million OPEB funding referenced above was in addition to a \$1.265 million initial down payment the Town voted to fund its OPEB obligation in FY '11 from dormant employee benefits related accounts. The Town is committed to continue funding this obligation annually with the Meals Tax revenue, as the Town is currently funding at the annual required contribution (ARC), which will fully amortize this liability by FY 2038. In addition, the Water and Sewer enterprise funds also contribute at the ARC level.
- Based on the recently completed FY 2018 actuarial report the Town has cut its unfunded liability (UL) by 57%, or by \$35.6MM, over eight years, from \$62.2MM at FYE 2009, to \$26.6MM at FYE 2018. This dramatic reduction, which is a taxpayer savings, is a direct result of the funding schedule the Town has been following, the successful and continuous renegotiation of health plan design with all employee groups, as well as the Board of Selectmen's decision to require all retirees to pay the same percentage of their health premiums.
- The same developer for the Foxborough based 1.35 million square foot Patriot Place mixed use commercial development on 90.5 acres, and owners of Gillette Stadium, the New England Patriots football team, and the New England Revolution soccer team, the Kraft Group, has previously proposed a technology office park complex, larger than the Patriot Place project in square footage terms, across the street (*U.S. Route 1*) from Patriot Place and the stadium. This project has now progressed to the marketing stages and has been buoyed by the recent investments being made by the State to establish a desired commuter rail station in Foxborough that is adjacent to the Kraft properties. The station is expected to be operational in FY 2019.
- With the Town's investment in central sewer capacity, Foxborough continues to attract new substantial, yet low impact, commercial development in other sections of the Town, further balancing the commercial attractiveness of the community.
- The Town continues to focus on multiple strategic economic development related initiatives. Foxborough is a partner in a regional sewer pact with surrounding Towns. This development is significant as it will put significant downward pressure on sewer rates. More importantly it is allowing for a significant expansion of central sewer capacities. This has already stimulated several new commercial and residential growth projects in the Town that will also be accretive to the Town's tax base, while having minimal impact on services.
- In light of these significant changes, the Town's Master Plan, relating to land use, has been updated via a thorough all-inclusive process. The Town has a very active and engaged Economic Development Committee with several new members representing all parts of the business and government planning community. With significant new property development capabilities on the horizon, Town leaders are taking a proactive approach to managing this growth so as to minimize the impact on local services, while maintaining the revered character of our relatively small suburban community.
- The Board of Selectmen voted during their annual Classification Hearing to maintain the split the tax rate for the eighth consecutive year due to the noticeable disparity in value shifting from commercial to residential that had developed over the past eight years, but has begun to equalize.
- The tax rate was set for fiscal 2019 at \$18.67 per thousand for business and \$14.70 for residential, a \$0.52 increase for business and \$0.13 increase for residential. These rates brought the tax levy to the allowable levy limit for the 22nd consecutive year.

Request for Information

This financial report is designed to provide a general overview of the Town of Foxborough's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 40 South Street, Foxborough, MA 02035. Financial and direct contact information can also be found on the Town of Foxborough's website at www.foxboroughma.gov.

**TOWN OF FOXBOROUGH, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 23,878,585	\$ 20,314,159	\$ 44,192,744
INVESTMENTS	4,292,969	-	4,292,969
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	300,564	-	300,564
TAX LIENS	1,174,131	-	1,174,131
MOTOR VEHICLE EXCISE TAXES	257,706	-	257,706
USER FEES	280,125	2,339,983	2,620,108
DEPARTMENTAL AND OTHER	170,426	-	170,426
INTERGOVERNMENTAL	1,097,685	-	1,097,685
OTHER ASSETS	17,579	-	17,579
NONCURRENT:			
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	90,541,323	25,678,141	116,219,464
TOTAL ASSETS	122,011,093	48,332,283	170,343,376
DEFERRED OUTFLOWS OF RESOURCES			
RELATED TO PENSIONS	7,048,434	146,782	7,195,216
RELATED TO POST EMPLOYMENT BENEFITS	154,913	4,502	159,415
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,203,347	151,284	7,354,631
LIABILITIES			
CURRENT:			
ACCOUNTS PAYABLE	4,447,783	137,354	4,585,137
OTHER LIABILITIES	18,063	-	18,063
ACCRUED INTEREST	180,516	93,706	274,222
LANDFILL POSTCLOSURE CARE COSTS	37,000	-	37,000
COMPENSATED ABSENCES	587,470	43,603	631,073
CAPITAL LEASES PAYABLE	46,767	-	46,767
BONDS AND NOTES PAYABLE	2,345,916	1,509,068	3,854,984
NONCURRENT:			
LANDFILL POSTCLOSURE CARE COSTS	370,000	-	370,000
COMPENSATED ABSENCES	1,342,830	78,911	1,421,741
POSTEMPLOYMENT BENEFITS	26,450,418	768,562	27,218,980
NET PENSION LIABILITY	33,951,951	707,044	34,658,995
CAPITAL LEASES PAYABLE	147,638	-	147,638
BONDS AND NOTES PAYABLE	22,655,784	23,036,573	45,692,357
TOTAL LIABILITIES	92,582,136	26,374,821	118,956,957
DEFERRED INFLOWS OF RESOURCES			
DEFERRED AMOUNT ON REFUNDING	328,440	56,600	385,040
RELATED TO PENSIONS	5,142,253	107,087	5,249,340
TOTAL DEFERRED INFLOWS OF RESOURCES	5,470,693	163,687	5,634,380
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	65,016,778	14,290,669	79,307,447
RESTRICTED FOR:			
PERMANENT FUNDS:			
EXPENDABLE	181,429	-	181,429
NONEXPENDABLE	172,565	-	172,565
OTHER PURPOSES	14,585,247	-	14,585,247
UNRESTRICTED	(48,794,408)	7,654,390	(41,140,018)
TOTAL NET POSITION	\$ 31,161,611	\$ 21,945,059	\$ 53,106,670

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2018**

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUE</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 4,213,292	\$ 568,250	\$ 4,667	\$ -	\$ (3,640,375)
PUBLIC SAFETY	9,958,834	2,700,411	387,621	-	(6,870,802)
EDUCATION	41,679,989	1,737,005	11,345,274	-	(28,597,710)
PUBLIC WORKS	3,582,364	65,301	7,705	651,035	(2,858,323)
HUMAN SERVICES	1,130,372	181,432	219,870	-	(729,070)
CULTURE & RECREATION	1,952,475	443,493	32,168	-	(1,476,814)
EMPLOYEE BENEFITS	21,742,631	-	7,896,886	-	(13,845,745)
STATE & COUNTY ASSESSMENTS	426,050	-	-	-	(426,050)
INTEREST	742,094	-	-	-	(742,094)
TOTAL GOVERNMENTAL ACTIVITIES	85,428,101	5,695,892	19,894,191	651,035	(59,186,983)
BUSINESS-TYPE ACTIVITIES:					
WATER	4,885,744	6,155,762	367,424	15,684	1,653,126
SEWER	1,330,642	1,355,271	269,551	31,761	325,941
TOTAL BUSINESS-TYPE ACTIVITIES	6,216,386	7,511,033	636,975	47,445	1,979,067
TOTAL PRIMARY GOVERNMENT	\$ 91,644,487	\$ 13,206,925	\$ 20,531,166	\$ 698,480	\$ (57,207,916)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF FOXBOROUGH, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2018**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET POSITION:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (59,186,983)	\$ 1,979,067	\$ (57,207,916)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	46,956,406	-	46,956,406
TAX LIENS	226,808	-	226,808
MOTOR VEHICLE AND OTHER EXCISE TAXES	3,055,299	-	3,055,299
HOTEL/MOTEL TAX	2,799,645	-	2,799,645
PENALTIES AND INTEREST ON TAXES	277,908	-	277,908
PAYMENTS IN LIEU OF TAXES	2,972,305	-	2,972,305
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,781,833	-	1,781,833
UNRESTRICTED INVESTMENT INCOME	339,606	-	339,606
MISCELLANEOUS	87,487	-	87,487
TRANSFERS, NET	377,099	(377,099)	-
TOTAL GENERAL REVENUES AND TRANSFERS	58,874,396	(377,099)	58,497,297
CHANGE IN NET POSITION	(312,587)	1,601,968	1,289,381
NET POSITION:			
BEGINNING OF YEAR	31,474,198	20,343,091	51,817,289
END OF YEAR	\$ 31,161,611	\$ 21,945,059	\$ 53,106,670

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF FOXBOROUGH, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

ASSETS	GENERAL	EMS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 18,352,851	\$ 2,570,991	\$ 2,954,743	\$ 23,878,585
INVESTMENTS	3,665,975	-	626,994	4,292,969
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES	300,564	-	-	300,564
TAX LIENS	1,174,131	-	-	1,174,131
MOTOR VEHICLE EXCISE TAXES	257,706	-	-	257,706
USER FEES	-	280,125	-	280,125
DEPARTMENTAL AND OTHER	500	-	169,926	170,426
INTERGOVERNMENTAL	129,436	-	968,249	1,097,685
OTHER ASSETS	17,579	-	-	17,579
TOTAL ASSETS	\$ 23,898,742	\$ 2,851,116	\$ 4,719,912	\$ 31,469,770
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 4,375,129	\$ -	\$ 72,654	\$ 4,447,783
OTHER LIABILITIES	18,063	-	-	18,063
TOTAL LIABILITIES	4,393,192	-	72,654	4,465,846
DEFERRED INFLOWS OF RESOURCES:				
UNAVAILABLE REVENUE	1,780,901	280,125	293,721	2,354,747
FUND BALANCES:				
NONSPENDABLE	-	-	172,565	172,565
RESTRICTED	674,312	2,570,991	4,333,514	7,578,817
COMMITTED	1,117,758	-	-	1,117,758
ASSIGNED	5,648,797	-	-	5,648,797
UNASSIGNED	10,283,782	-	(152,542)	10,131,240
TOTAL FUND BALANCES	17,724,649	2,570,991	4,353,537	24,649,177
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 23,898,742	\$ 2,851,116	\$ 4,719,912	\$ 31,469,770

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, 2018**

	<u>GENERAL</u>	<u>EMS FUND</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 47,247,667	\$ -	\$ -	\$ 47,247,667
INTERGOVERNMENTAL	18,533,236	-	2,865,569	21,398,805
MOTOR VEHICLE EXCISE TAXES	2,987,432	-	-	2,987,432
PAYMENTS IN LIEU OF TAXES	2,972,305	-	-	2,972,305
PENALTIES AND INTEREST ON TAXES	277,908	-	-	277,908
CHARGES FOR SERVICES	-	1,446,754	2,347,055	3,793,809
INVESTMENT INCOME	339,607	-	(10,130)	329,477
CONTRIBUTIONS & DONATIONS	-	-	182,286	182,286
DEPARTMENTAL AND OTHER	4,869,017	-	532,385	5,401,402
	<u>77,227,172</u>	<u>1,446,754</u>	<u>5,917,165</u>	<u>84,591,091</u>
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	3,752,270	-	631,537	4,383,807
PUBLIC SAFETY	9,396,666	-	344,650	9,741,316
EDUCATION	36,741,453	-	3,717,636	40,459,089
PUBLIC WORKS	2,937,886	-	1,043,611	3,981,497
HUMAN SERVICES	989,244	-	112,731	1,101,975
CULTURE & RECREATION	1,154,217	-	512,358	1,666,575
EMPLOYEE BENEFITS	20,722,304	-	59,151	20,781,455
STATE & COUNTY ASSESSMENTS	426,050	-	-	426,050
DEBT SERVICE				
PRINCIPAL	2,290,000	-	30,000	2,320,000
INTEREST	887,946	-	-	887,946
	<u>79,298,036</u>	<u>-</u>	<u>6,451,674</u>	<u>85,749,710</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,070,864)</u>	<u>1,446,754</u>	<u>(534,509)</u>	<u>(1,158,619)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
OPERATING TRANSFERS IN	1,974,046	61,362	332,290	2,367,698
OPERATING TRANSFERS OUT	(893,652)	(949,081)	(147,866)	(1,990,599)
	<u>1,080,394</u>	<u>(887,719)</u>	<u>184,424</u>	<u>377,099</u>
NET CHANGE IN FUND BALANCES	(990,470)	559,035	(350,085)	(781,520)
FUND BALANCES AT BEGINNING OF YEAR	<u>18,715,119</u>	<u>2,011,956</u>	<u>4,703,622</u>	<u>25,430,697</u>
FUND BALANCES AT END OF YEAR	<u>\$ 17,724,649</u>	<u>\$ 2,570,991</u>	<u>\$ 4,353,537</u>	<u>\$ 24,649,177</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 24,649,177
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS	90,541,323
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS	2,354,747
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE	(180,516)
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	(24,721,000)
CAPITAL LEASES PAYABLE	(194,405)
DEFERRED AMOUNT ON REFUNDING	(328,440)
UNAMORTIZED BOND PREMIUM	(280,700)
NET PENSION LIABILITY	(33,951,951)
DEFERRED INFLOWS OF RESOURCES - RELATED TO PENSIONS	(5,142,253)
DEFERRED OUTFLOWS OF RESOURCES - RELATED TO PENSIONS	7,048,434
COMPENSATED ABSENCES	(1,930,300)
POSTEMPLOYMENT BENEFITS	(26,450,418)
DEFERRED OUTFLOWS OF RESOURCES - RELATED TO POSTEMPLOYMENT BENEFITS	154,913
LANDFILL POSTCLOSURE CARE COSTS	<u>(407,000)</u>
NET EFFECT OF REPORTING LONG-TERM LIABILITIES	<u>(86,203,120)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 31,161,611</u></u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2018**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (781,520)

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	3,412,482	
DEPRECIATION EXPENSE	<u>(4,678,144)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		(1,265,662)

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 147,324

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>2,320,000</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		2,320,000

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	13,332	
NET CHANGE IN POSTEMPLOYMENT BENEFITS ACCRUAL	(605,922)	
NET CHANGE IN DEFERRED OUTFLOWS OF RESOURCES - RELATED TO POSTEMPLOYMENT BENEFITS	154,913	
NET CHANGE IN DEFERRED INFLOWS OF RESOURCES - RELATED TO PENSIONS	(2,842,087)	
NET CHANGE IN DEFERRED OUTFLOWS OF RESOURCES - RELATED TO PENSIONS	3,544,689	
NET CHANGE IN NET PENSION LIABILITY	(1,226,101)	
NET CHANGE IN CAPITAL LEASES	45,595	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	37,000	
NET CHANGE IN DEFERRED AMOUNT ON REFUNDING	92,228	
NET CHANGE IN UNAMORTIZED BOND PREMIUM	32,578	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>21,046</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>(732,729)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (312,587)

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2018**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 46,344,701	\$ 46,344,701	\$ 47,247,667	\$ 902,966
MOTOR VEHICLE EXCISE TAXES	2,840,769	2,840,769	2,987,432	146,663
PENALTIES & INTEREST ON TAXES	150,883	150,883	277,908	127,025
INTERGOVERNMENTAL	11,239,250	11,239,250	10,907,217	(332,033)
PAYMENTS IN LIEU OF TAXES	1,998,116	1,998,116	2,972,305	974,189
INVESTMENT INCOME	81,575	81,575	345,091	263,516
DEPARTMENTAL AND OTHER	5,511,904	5,511,904	4,869,017	(642,887)
TOTAL REVENUES	68,167,198	68,167,198	69,606,637	1,439,439
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	4,148,624	4,172,004	3,976,308	195,696
PUBLIC SAFETY	9,570,447	9,810,512	9,607,479	203,033
EDUCATION	38,273,634	38,273,633	37,576,423	697,210
PUBLIC WORKS	2,408,760	2,570,680	2,906,356	(335,676)
HUMAN SERVICES	1,039,805	1,032,523	989,506	43,017
CULTURE & RECREATION	1,214,895	1,228,586	1,211,815	16,771
EMPLOYEE BENEFITS	13,044,354	13,179,988	13,096,285	83,703
STATE & COUNTY ASSESSMENTS	380,900	380,900	426,050	(45,150)
DEBT SERVICE:				
PRINCIPAL	2,290,000	2,290,000	2,290,000	-
INTEREST	820,622	820,622	796,031	24,591
TOTAL EXPENDITURES	73,192,041	73,759,448	72,876,253	883,195
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,024,843)	(5,592,250)	(3,269,616)	2,322,634
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	1,345,706	1,345,706	1,474,046	128,340
OPERATING TRANSFERS OUT	(340,402)	(393,652)	(393,652)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,005,304	952,054	1,080,394	128,340
NET CHANGE IN FUND BALANCE	(4,019,539)	(4,640,196)	(2,189,222)	2,450,974
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	13,340,228	13,340,228	13,340,228	-
BUDGETARY FUND BALANCE, END OF YEAR	\$ 9,320,689	\$ 8,700,032	\$ 11,151,006	\$ 2,450,974

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER	SEWER	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 18,387,133	\$ 1,927,026	\$ 20,314,159
USER FEES	1,917,667	422,316	2,339,983
TOTAL CURRENT ASSETS	<u>20,304,800</u>	<u>2,349,342</u>	<u>22,654,142</u>
NONCURRENT:			
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	23,863,568	1,814,573	25,678,141
TOTAL ASSETS	<u>44,168,368</u>	<u>4,163,915</u>	<u>48,332,283</u>
DEFERRED OUTFLOWS OF RESOURCES			
RELATED TO PENSIONS	100,733	46,049	146,782
RELATED TO POSTEMPLOYMENT BENEFITS	4,036	466	4,502
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>104,769</u>	<u>46,515</u>	<u>151,284</u>
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	94,227	43,127	137,354
ACCRUED INTEREST	92,919	787	93,706
COMPENSATED ABSENCES	39,243	4,360	43,603
BONDS AND NOTES PAYABLE	1,418,622	90,446	1,509,068
TOTAL CURRENT LIABILITIES	<u>1,645,011</u>	<u>138,720</u>	<u>1,783,731</u>
NONCURRENT:			
COMPENSATED ABSENCES	71,020	7,891	78,911
POSTEMPLOYMENT BENEFITS	689,067	79,495	768,562
NET PENSION LIABILITY	485,226	221,818	707,044
BONDS AND NOTES PAYABLE	22,897,935	138,638	23,036,573
TOTAL NONCURRENT LIABILITIES	<u>24,143,248</u>	<u>447,842</u>	<u>24,591,090</u>
TOTAL LIABILITIES	<u>25,788,259</u>	<u>586,562</u>	<u>26,374,821</u>
DEFERRED INFLOWS OF RESOURCES			
DEFERRED AMOUNT ON REFUNDING	56,600	-	56,600
RELATED TO PENSIONS	73,491	33,596	107,087
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>130,091</u>	<u>33,596</u>	<u>163,687</u>
<u>NET POSITION</u>			
NET INVESTMENT IN CAPITAL ASSETS	12,705,180	1,585,489	14,290,669
UNRESTRICTED	5,649,607	2,004,783	7,654,390
TOTAL NET POSITION	<u>\$ 18,354,787</u>	<u>\$ 3,590,272</u>	<u>\$ 21,945,059</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FISCAL YEAR ENDED JUNE 30, 2018**

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
<u>OPERATING REVENUES:</u>			
CHARGES FOR SERVICES	\$ 6,155,762	\$ 1,355,271	\$ 7,511,033
DEPARTMENTAL AND OTHER	317,735	255,503	573,238
TOTAL OPERATING REVENUES	<u>6,473,497</u>	<u>1,610,774</u>	<u>8,084,271</u>
<u>OPERATING EXPENSES:</u>			
GENERAL SERVICES	3,135,882	1,245,145	4,381,027
DEPRECIATION	1,018,478	73,651	1,092,129
TOTAL OPERATING EXPENSES	<u>4,154,360</u>	<u>1,318,796</u>	<u>5,473,156</u>
OPERATING INCOME (LOSS)	<u>2,319,137</u>	<u>291,978</u>	<u>2,611,115</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
INTERGOVERNMENTAL	15,684	31,761	47,445
INVESTMENT INCOME	49,689	14,048	63,737
INTEREST EXPENSE	(731,384)	(11,846)	(743,230)
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	<u>(666,011)</u>	<u>33,963</u>	<u>(632,048)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>1,653,126</u>	<u>325,941</u>	<u>1,979,067</u>
<u>OPERATING TRANSFERS:</u>			
OPERATING TRANSFERS IN	-	500,000	500,000
OPERATING TRANSFERS OUT	(758,434)	(118,665)	(877,099)
TOTAL OPERATING TRANSFERS	<u>(758,434)</u>	<u>381,335</u>	<u>(377,099)</u>
CHANGE IN NET POSITION	894,692	707,276	1,601,968
NET POSITION AT BEGINNING OF YEAR	17,460,095	2,882,996	20,343,091
NET POSITION AT END OF YEAR	<u>\$ 18,354,787</u>	<u>\$ 3,590,272</u>	<u>\$ 21,945,059</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FISCAL YEAR ENDED JUNE 30, 2018**

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
RECEIPTS FROM CUSTOMERS AND USERS	\$ 6,398,074	\$ 1,545,728	\$ 7,943,802
PAYMENTS TO SUPPLIERS	(1,772,684)	(1,152,240)	(2,924,924)
PAYMENTS TO EMPLOYEES	(1,406,644)	(142,781)	(1,549,425)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,218,746</u>	<u>250,707</u>	<u>3,469,453</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
OPERATING TRANSFERS IN (OUT)	(758,434)	381,335	(377,099)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(1,354,177)	(67,651)	(1,421,828)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(2,412,227)	(447,482)	(2,859,709)
INTEREST EXPENSE	(736,738)	(3,003)	(739,741)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(4,503,142)</u>	<u>(518,136)</u>	<u>(5,021,278)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
INTEREST RECEIVED	49,689	14,048	63,737
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	(1,993,141)	127,954	(1,865,187)
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	<u>20,380,274</u>	<u>1,799,072</u>	<u>22,179,346</u>
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	<u>\$ 18,387,133</u>	<u>\$ 1,927,026</u>	<u>\$ 20,314,159</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>			
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>			
OPERATING INCOME (LOSS)	<u>\$ 2,319,137</u>	<u>\$ 291,978</u>	<u>\$ 2,611,115</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
DEPRECIATION	1,018,478	73,651	1,092,129
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(75,424)	(65,046)	(140,470)
(INCREASE) DECREASE IN DEFERRED OUTFLOWS OF RESOURCES	(54,695)	(23,624)	(78,319)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(66,365)	(55,062)	(121,427)
INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE	3,689	410	4,099
INCREASE (DECREASE) IN POSTEMPLOYMENT BENEFITS	15,785	1,821	17,606
INCREASE (DECREASE) IN DEFERRED INFLOWS OF RESOURCES	40,618	18,568	59,186
INCREASE (DECREASE) IN NET PENSION LIABILITY	17,523	8,011	25,534
TOTAL ADJUSTMENTS	<u>899,609</u>	<u>(41,271)</u>	<u>858,338</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 3,218,746</u>	<u>\$ 250,707</u>	<u>\$ 3,469,453</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	<u>POSTEMPLOYMENT BENEFITS TRUST</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>			
CASH AND SHORT-TERM INVESTMENTS	\$ 100,252	\$ 448	\$ 839,440
INVESTMENTS	8,170,151	217,408	-
DEPARTMENTAL	-	-	181,101
TOTAL ASSETS	<u>8,270,403</u>	<u>217,856</u>	<u>1,020,541</u>
<u>LIABILITIES</u>			
ACCOUNTS PAYABLE	-	-	8,334
OTHER LIABILITIES	-	-	1,012,207
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>1,020,541</u>
<u>NET POSITION</u>			
HELD IN TRUST FOR PLAN PARTICIPANTS	8,270,403	-	-
HELD IN TRUST FOR OTHER PURPOSES	-	217,856	-
TOTAL	<u>\$ 8,270,403</u>	<u>\$ 217,856</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

TOWN OF FOXBOROUGH, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FISCAL YEAR ENDED JUNE 30, 2018

	POSTEMPLOYMENT BENEFITS TRUST	PRIVATE PURPOSE TRUST FUNDS
<u>ADDITIONS:</u>		
CONTRIBUTIONS:		
EMPLOYER CONTRIBUTIONS	\$ 964,069	\$ -
EMPLOYER CONTRIBUTIONS TO PAY FOR OPEB BENEFITS	1,382,116	-
NET INVESTMENT INCOME (LOSS):		
INVESTMENT INCOME	417,059	28,281
TOTAL ADDITIONS	2,763,244	28,281
<u>DEDUCTIONS:</u>		
BENEFIT PAYMENTS	1,382,116	-
CHANGE IN NET POSITION	1,381,128	28,281
NET POSITION AT BEGINNING OF YEAR	6,889,275	189,575
NET POSITION AT END OF YEAR	\$ 8,270,403	\$ 217,856

See accompanying notes to the basic financial statements

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Primary Government

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

Joint Venture

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

Name	Purpose	Address	Annual Assessment
Southeastern Regional Vocational Technical High School	To provide vocational education	250 Foundry Street Easton, MA 02375	\$ 395,764

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, 2018

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

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

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

Fund Financial Statements

Governmental Fund Financial Statements

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

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

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

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

The Town reports the following major governmental funds:

- The *General fund* is the primary operating fund of the Town. It is used to account for all financial resources, except those that are required to be accounted for in another fund.
- The *EMS fund* is a special revenue fund used to account for the ambulance activity of the Town.
- The *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.

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.

TOWN OF FOXBOROUGH, MASSACHUSETTS
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The following fiduciary fund types are reported:

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

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

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

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

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges. By law, all taxable property in the Commonwealth must be assessed at 100% of fair market value. Once levied, which is required to be at least 30 days prior to the due date, these taxes are recorded as receivables in the fiscal year of levy.

Based on the Town’s experience, most property taxes are collected during the year in which they are assessed. The lien of properties on which taxes remain unpaid occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

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

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

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
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Motor Vehicle Excise

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

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

Water and Sewer

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

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

Departmental and Other

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

Intergovernmental

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

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

G. Inventories

Government-Wide and Fund Financial Statements

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

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H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

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

Governmental Fund Financial Statements

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

I. Interfund Receivables and Payables

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

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Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
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Governmental Funds Financial Statements

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

L. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position is classified into three components:

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

Net position have been “restricted” for the following:

- *Permanent funds – expendable* represents amounts held in trust for which the expenditures are restricted by various trust agreements.
 - *Permanent funds – nonexpendable* represents amounts held in trust for which only investment earnings may be expended.
 - *Other specific purposes* represent restrictions placed on assets from outside parties.
- c. *Unrestricted net position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”

Fund Financial Statements (Fund Balances)

The Town uses the following criteria for fund balance classification:

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

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

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

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

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

N. Investment Income

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
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O. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2018 is recorded in the governmental fund financial statement.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Norfolk County Contributory Retirement System (NCCRS) and the Massachusetts Teachers Retirement System (MTRS), additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Post-Retirement Benefits

Government-Wide and Fund Financial Statements

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
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R. Use of Estimates

Government-Wide and Fund Financial Statements

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

S. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Basis of Accounting

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

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
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Original and supplemental appropriations are enacted upon by a Town Meeting vote. Management may not amend the budget without seeking the approval of the governing body. The Town's Advisory Committee can legally transfer funds from its reserve fund to other appropriations within the budget without seeking Town Meeting approvals. Also, as per Chapter 77 of the Acts 2007, the Town Manager with the concurrence of the Advisory Committee can make transfers in accordance with the limitations of this state statute. The original fiscal year 2018 approved budget authorized \$71,248,610 in current year appropriations and other amounts to be raised and \$1,943,431 in articles carried forward from previous fiscal years. Supplemental appropriations of \$567,407 were approved at two Town Meetings for fiscal year 2018.

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, 2018, is presented below:

Net change in fund balance - budgetary basis	\$ (2,189,222)
Basis of accounting differences:	
Net stabilization fund activity	(5,484)
Increase in revenue for on-behalf payments - MTRS	7,626,019
Increase in expenditures for on-behalf payments - MTRS	(7,626,019)
Adjustment for Current Year Encumbrances	947,423
Adjustment for Current Year Articles	1,117,757
Adjustment for expenditures from prior year encumbrances	<u>(860,944)</u>
Net change in fund balance - GAAP basis	<u>\$ (990,470)</u>

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2018, actual expenditures exceeded appropriations for the snow and ice expenditures account. These over-expenditures will be funded by available funds during fiscal year 2019, as is allowed by Massachusetts General Laws (MGL).

D. Deficit Fund Balances

Several individual fund deficits exist within the special revenue and governmental capital project funds. These individual deficits will be eliminated through subsequent fiscal year budget transfers, grants, and/or proceeds from long term debt during fiscal year 2019.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 3 – DEPOSITS AND INVESTMENTS

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

Deposits

- *Custodial Credit Risk - Deposits*

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

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

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

The following table illustrates how much of the Town’s bank deposits are insured, and how much of the Town’s bank deposits are uninsured, uncollateralized, or collateral held by the pledging bank’s trust department not in the Town’s name as of June 30, 2018:

Total bank balances		\$ 40,680,319
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	2,850,000	
Depositor's Insurance Fund (DIF)	8,934,511	
Shared Insurance Fund (SIF)	8,174,816	
Total bank balances covered by deposit insurance		19,959,327
Balances subject to custodial credit risk		
Bank balances collateralized with securities held by the pledging financial institutions trust department or agent but not in the Town's name	16,702,407	
Bank balances uninsured & uncollateralized	4,018,585	
Total bank balances subject to custodial credit risk		20,720,992
Total bank balances		\$ 40,680,319

TOWN OF FOXBOROUGH, MASSACHUSETTS
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Investments

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

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

- **Credit Risk**

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

Presented below is the actual rating as of year-end for each investment type of the Town:

Investment type	Fair value	Minimum Legal Rating	Rating as of Year End				
			Aaa	A3	Baa1	Baa2	Unrated
Corporate Bonds	\$ 982,795	N/A	\$ -	\$ 273,358	\$ 351,125	\$ 358,312	\$ -
Common Stock	106,218	N/A	-	-	-	-	106,218
Fixed income mutual funds	2,239,997	N/A	-	-	-	-	2,239,997
Equity mutual funds	6,325,781	N/A	-	-	-	-	6,325,781
Money market mutual funds	94,462	N/A	-	-	-	-	94,462
U.S. Government Agencies & Securities	2,034,925	N/A	1,877,577	-	-	-	157,348
Certificate of Deposit	896,350	N/A	-	-	-	-	896,350
Total Investments	\$ 12,680,528		\$ 1,877,577	\$ 273,358	\$ 351,125	\$ 358,312	\$ 9,820,156

- *Custodial Credit Risk*

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The Town has no custodial credit risk exposure related to the corporate bonds, U.S. Government agencies and securities, common stock, and certificate of deposit because the related securities are registered in the name of the Town. The mutual fund investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Town will minimize Custodial Credit Risk (loss due to the failure of the security issuer) by limiting investments to those approved by the Commonwealth of Massachusetts Commissioners of Banks known as the "legal" list.

TOWN OF FOXBOROUGH, MASSACHUSETTS
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- *Interest Rate Risk*

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

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

Investment type	Fair value	Investment maturities (in years)	
		Less than 1	1-5
<i>Debt Related Securities:</i>			
Corporate bonds	\$ 982,795	\$ -	\$ 982,795
Fixed income mutual funds	2,239,997	2,239,997	-
U.S. Government & Agency	2,034,925	28,054	2,006,871
Certificate of deposit	896,350	205,362	690,988
Total - Debt related securities	<u>6,154,066</u>	<u>2,473,413</u>	<u>3,680,654</u>
<i>Other Investments:</i>			
Equity mutual funds	6,325,781	6,325,781	-
Money market mutual funds	94,462	94,462	-
Common Stock	106,218	106,218	-
Total Other Investments	<u>6,526,461</u>	<u>6,526,461</u>	<u>-</u>
Total Investments	<u>\$ 12,680,528</u>	<u>\$ 8,999,874</u>	<u>\$ 3,680,654</u>

- *Concentration of Credit Risk*

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

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
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Fair Market Value of Investments

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

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

The Town has the following recurring fair value measurement as of June 30, 2018.

Investment Type	June 30, 2018	Fair Value Measurements Using		
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
Certificate of Deposit	\$ 896,350	\$ 896,350	\$ -	\$ -
U.S. Government Agencies	2,034,925	2,034,925	-	-
Corporate Bonds	982,795	-	982,795	-
Fixed Income Mutual Funds	2,239,997	-	2,239,997	-
Total debt securities	6,154,066	2,931,275	3,222,792	-
Other Investments				
Common Stock	106,218	106,218	-	-
Mutual Funds	94,462	94,462	-	-
Equity Mutual Funds	6,325,781	6,325,781	-	-
Total other investments	6,526,461	6,526,461	-	-
Total investments measured at fair value	12,680,528	\$ 9,457,736	\$ 3,222,792	\$ -
Investments measured at amortized cost				
Massachusetts Municipal Depository Trust - (MMDT)	6,048,552			
Total Investments	\$ 18,729,080			

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

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 – RECEIVABLES

The receivables at June 30, 2018 for the Town’s individual major, nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate taxes	\$ 282,849	\$ -	\$ 282,849
Personal property taxes	91,915	(74,200)	17,715
Real estate and personal property taxes	374,764	(74,200)	300,564
Tax liens	1,174,131	-	1,174,131
Motor vehicle excise taxes	307,106	(49,400)	257,706
User fees	364,279	(84,154)	280,125
Departmental and other	170,426	-	170,426
Intergovernmental	1,097,685	-	1,097,685
Total	<u>\$ 3,488,391</u>	<u>(207,754)</u>	<u>\$ 3,280,637</u>

The receivables at June 30, 2018, for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water</i>			
User fees	\$ 1,917,667	\$ -	\$ 1,917,667
<i>Sewer</i>			
User fees	422,316	-	422,316
Total	<u>\$ 2,339,983</u>	<u>\$ -</u>	<u>\$ 2,339,983</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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

Deferred Inflows of Resources Analysis

Deferred Inflows:	General Fund	EMS Fund	Nonmajor Governmental Funds	Total
Deferred Property Taxes	\$ 219,627	\$ -	\$ -	\$ 219,627
Deferred Other Revenue	1,431,838	280,125	237,470	1,949,433
Deferred Intergovernmental Revenue	129,436	-	56,251	185,687
Total	<u>\$ 1,780,901</u>	<u>\$ 280,125</u>	<u>\$ 293,721</u>	<u>\$ 2,354,747</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases & Reclassifications	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 6,537,225	\$ -	\$ -	\$ 6,537,225
Construction in progress	25,685	467,255	-	492,940
Total capital assets not being depreciated	<u>6,562,910</u>	<u>467,255</u>	<u>-</u>	<u>7,030,165</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	99,693,193	440,743	-	100,133,936
Capital improvements (other than buildings)	1,313,672	19,156	-	1,332,828
Machinery and equipment	6,743,708	539,940	-	7,283,648
Vehicles	13,254,798	953,951	-	14,208,749
Software	822,790	-	-	822,790
Infrastructure	26,539,022	991,437	-	27,530,459
Total capital assets being depreciated	<u>148,367,183</u>	<u>2,945,227</u>	<u>-</u>	<u>151,312,410</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(37,664,644)	(2,469,084)	-	(40,133,728)
Capital improvements (other than buildings)	(367,121)	(97,074)	-	(464,195)
Machinery and equipment	(4,675,484)	(561,426)	-	(5,236,910)
Vehicles	(9,478,144)	(797,379)	-	(10,275,523)
Software	(738,932)	(47,148)	-	(786,080)
Infrastructure	(10,198,783)	(706,033)	-	(10,904,816)
Total accumulated depreciation	<u>(63,123,108)</u>	<u>(4,678,144)</u>	<u>-</u>	<u>(67,801,252)</u>
Total capital assets being depreciated, net	<u>85,244,075</u>	<u>(1,732,917)</u>	<u>-</u>	<u>83,511,158</u>
Total governmental activities capital assets, net	<u>\$ 91,806,985</u>	<u>\$ (1,265,662)</u>	<u>\$ -</u>	<u>\$ 90,541,323</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Business-Type Activities:	Beginning Balance	Increases	Decreases & Reclassifications	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 692,282	\$ -	\$ -	\$ 692,282
Construction in progress	3,412,962	2,062,532	-	5,475,494
Total capital assets not being depreciated	4,105,244	2,062,532	-	6,167,776
<i>Capital assets being depreciated:</i>				
Machinery and equipment	2,763,467	161,603	-	2,925,070
Building and building improvements	-	32,334	-	32,334
Vehicles	590,708	106,003	-	696,711
Infrastructure	26,489,693	257,292	-	26,746,985
Total capital assets being depreciated	29,843,868	557,232	-	30,401,100
<i>Less accumulated depreciation for:</i>				
Machinery and equipment	(1,281,415)	(284,427)	-	(1,565,842)
Building and building improvements	-	(1,617)	-	(1,617)
Vehicles	(353,959)	(178,055)	-	(532,014)
Infrastructure	(8,163,232)	(628,030)	-	(8,791,262)
Total accumulated depreciation	(9,798,606)	(1,092,129)	-	(10,890,735)
Total capital assets being depreciated, net	20,045,262	(534,897)	-	19,510,365
Total business-type activities capital assets, net	\$ 24,150,506	\$ 1,527,635	\$ -	\$ 25,678,141

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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

Governmental Activities:	
General government	\$ 357,109
Public safety	974,654
Education	2,119,444
Public works	893,484
Human services	28,397
Culture and recreation	305,056
 Total depreciation expense - governmental activities	 \$ 4,678,144

Business-Type Activities:	
Water	\$ 1,018,478
Sewer	73,651
 Total depreciation expense - business-type activities	 \$ 1,092,129

NOTE 6 – CAPITAL LEASE

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

The asset acquired through the capital lease is as follows:

		Governmental
		Activities
Assets:		
Improvements (Other than Buildings)	\$ 286,706	
 Less: Accumulated depreciation	 (39,422)	
		 \$ 247,284

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2018, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2019	\$ 51,763
2020	51,763
2021	51,764
2022	<u>51,764</u>
Total minimum lease payments	207,054
Less: amounts representing interest	<u>(12,649)</u>
Present value of minimum lease payments	<u><u>\$ 194,405</u></u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2018, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:				Total	
	General Fund	EMS Fund	Nonmajor Governmental Funds	Sewer Enterprise Fund		
Nonmajor Governmental Funds	\$ 45,700	\$ -	\$ -	\$ -	\$ 45,700	(1)
EMS Fund	949,081	-	-	-	949,081	(1)
General Fund	-	61,362	332,290	-	393,652	(1)
General Fund	-	-	-	500,000	500,000	(1)
Water Enterprise Fund	758,434	-	-	-	758,434	(2)
Sewer Enterprise Fund	118,665	-	-	-	118,665	(2)
Nonmajor Governmental Funds	102,166	-	-	-	102,166	(3)
Total	\$ 1,974,046	\$ 61,362	\$ 332,290	\$ 500,000	\$ 2,867,698	

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

NOTE 8 – SHORT-TERM FINANCING

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

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

Short-term loans are general obligations of the Town and maturity dates are governed by statute.

There were no short term borrowings in Fiscal Year 2018.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – LONG-TERM DEBT

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

The following is a summary of the changes in long-term debt for the year ended June 30, 2018:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2017	Issued	Redeemed	Outstanding at June 30, 2018
High School renovation	3.35	\$ 6,760,000	\$ -	\$ 520,000	\$ 6,240,000
Library renovation	2.79	5,320,000	-	355,000	4,965,000
Title V	0.00	480,000	-	30,000	450,000
Landfill Closure	1.21	285,000	-	95,000	190,000
School - Ahern Middle	1.21	325,000	-	65,000	260,000
Land Acquisition - Mill St.	1.21	515,000	-	75,000	440,000
Ahern School	1.40	1,617,000	-	210,000	1,407,000
Public Safety	1.60	2,154,000	-	227,000	1,927,000
Public Safety	1.41	3,024,000	-	391,000	2,633,000
School Remodeling	1.30	46,000	-	7,000	39,000
Town Hall	2.09	6,515,000	-	345,000	6,170,000
Total Bonds and Notes Payable		27,041,000	-	2,320,000	24,721,000
Add: Unamortized Premium		313,278	-	32,578	280,700
Total		\$ 27,354,278	\$ -	\$ 2,352,578	\$ 25,001,700

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2018 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,315,000	\$ 783,255	\$ 3,098,255
2020	2,311,000	708,865	3,019,865
2021	2,206,000	633,135	2,839,135
2022	2,191,000	568,355	2,759,355
2023	2,111,000	495,775	2,606,775
2024-2028	8,262,000	1,507,716	9,769,716
2029-2033	4,305,000	461,500	4,766,500
2034-2036	1,020,000	61,200	1,081,200
Total	<u>\$ 24,721,000</u>	<u>\$ 5,219,801</u>	<u>\$ 29,940,801</u>

Bonds and Notes Payable Schedule -Water and Sewer Enterprise Funds

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2017</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2018</u>
Sewer	Var.	\$ 15,000	\$ -	\$ 5,000	\$ 10,000
Sewer	Var.	230,529	-	75,446	155,083
Water	2.79	4,350,000	-	290,000	4,060,000
Water	2.00	2,764,725	-	205,902	2,558,823
Water Reuse	1.21	645,000	-	110,000	535,000
Water	1.21	1,015,000	-	170,000	845,000
Water	Var.	215,000	-	35,000	180,000
Water	1.21	16,116	-	2,302	13,814
Sewer	Var.	74,000	-	10,000	64,000
Water	Var.	15,950,000	-	550,000	15,400,000
Total Bonds and Notes Payable		<u>25,275,370</u>	<u>-</u>	<u>1,453,651</u>	<u>23,821,719</u>
Add: Unamortized Premium		<u>776,964</u>	<u>-</u>	<u>53,042</u>	<u>723,922</u>
Total		<u>\$ 26,052,334</u>	<u>\$ -</u>	<u>\$ 1,506,693</u>	<u>\$ 24,545,641</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2018 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,457,811	\$ 729,614	\$ 2,187,425
2020	1,465,246	679,026	2,144,272
2021	1,384,938	626,089	2,011,027
2022	1,384,354	590,798	1,975,152
2023	1,383,861	542,331	1,926,192
2024-2028	5,428,938	2,125,571	7,554,509
2029-2033	4,166,571	1,404,353	5,570,924
2034-2038	2,750,000	907,500	3,657,500
2039-2043	2,750,000	495,000	3,245,000
2044-2046	1,650,000	99,000	1,749,000
Total	<u>\$ 23,821,719</u>	<u>\$ 8,199,282</u>	<u>\$ 32,021,001</u>

Loans Authorized and Unissued

As of June 30, 2018, the Town has a loan authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Conservation - Land Acquisition	5/13/1986	\$ 130,000

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

<u>Governmental Activities:</u>	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 27,041,000	\$ -	\$ (2,320,000)	\$ 24,721,000	\$ 2,315,000
Add: Unamortized Premium	313,278	-	(32,578)	280,700	30,916
Total Bonds and Notes Payable	27,354,278	-	(2,352,578)	25,001,700	2,345,916
Compensated absences	1,943,632	-	(13,332)	1,930,300	587,470
Postemployment Benefits	25,844,496	605,922	-	26,450,418	-
Capital Lease	240,000	-	(45,595)	194,405	46,767
Net pension liability	32,725,850	1,226,101	-	33,951,951	-
Landfill postclosure care costs	444,000	-	(37,000)	407,000	37,000
 Total governmental activities long-term liabilities	 <u>\$ 88,552,256</u>	 <u>\$ 1,832,023</u>	 <u>\$ (2,448,505)</u>	 <u>\$ 87,935,774</u>	 <u>\$ 3,017,153</u>
 <u>Business-Type Activities:</u>	 Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 25,275,370	\$ -	\$ (1,453,651)	\$ 23,821,719	\$ 1,457,811
Add: Unamortized Premiums	776,964	-	(53,042)	723,922	51,257
Total Bonds and Notes Payable	26,052,334	-	(1,506,693)	24,545,641	1,509,068
Compensated absences	118,416	4,098	-	122,514	43,603
Net pension liability	681,510	25,534	-	707,044	-
Postemployment Benefits	750,956	17,606	-	768,562	-
 Total business-type activities long-term liabilities	 <u>\$ 27,603,216</u>	 <u>\$ 47,238</u>	 <u>\$ (1,506,693)</u>	 <u>\$ 26,143,761</u>	 <u>\$ 1,552,671</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, 2018

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, 2018:

<u>Agency</u>	<u>Total Long- Term Debt Outstanding</u>	<u>Town's Estimated Share</u>	<u>Town's Indirect Debt</u>
Norfolk County	\$ 13,574,000	2.19%	\$ 296,592
Southeastern Regional Vocational Technical High School	<u>4,810,000</u>	<u>1.90%</u>	<u>91,390</u>
Total	<u>\$ 18,384,000</u>		<u>\$ 387,982</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, 2018, the total amount of conduit debt outstanding was \$30,040,000.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

	GENERAL FUND	EMS MAJOR FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
Fund Balances				
Nonspendable:				
Permanent Fund Principal	\$ -	\$ -	\$ 172,565	\$ 172,565
Restricted For:				
General Government	-	-	129,902	129,902
Public Safety	-	-	324,705	324,705
Education	-	-	1,842,595	1,842,595
Public Works	-	-	23,244	23,244
Human Services	-	-	365,587	365,587
Culture & Recreation	-	-	561,376	561,376
Employee Benefits	-	-	760,818	760,818
Debt Service	674,312	-	-	674,312
Town Hall Project	-	-	143,499	143,499
Major EMS Fund	-	2,570,991	-	2,570,991
Expendable Trust Funds	-	-	181,788	181,788
	<u>674,312</u>	<u>2,570,991</u>	<u>4,333,514</u>	<u>7,578,817</u>
Committed To:				
Continuing Appropriations				
General Government	218,902	-	-	218,902
Public Safety	233,713	-	-	233,713
Education	557,094	-	-	557,094
Public Works	49,616	-	-	49,616
Human Services	-	-	-	-
Culture & Recreation	58,433	-	-	58,433
	<u>1,117,758</u>	<u>-</u>	<u>-</u>	<u>1,117,758</u>
Assigned To:				
Encumbered For:				
General Government	123,308	-	-	123,308
Public Safety	97,485	-	-	97,485
Education	810,154	-	-	810,154
Public Works	3,360	-	-	3,360
Human Services	6,313	-	-	6,313
Culture & Recreation	4,435	-	-	4,435
Subsequent Years Expenditures	2,509,449	-	-	2,509,449
Capital Stabilization Fund	2,094,293	-	-	2,094,293
	<u>5,648,797</u>	<u>-</u>	<u>-</u>	<u>5,648,797</u>
Unassigned				
General Fund	6,617,807	-	-	6,617,807
General Fund Stabilization	3,665,975	-	-	3,665,975
Nonmajor Governmental Funds	-	-	(101,871)	(101,871)
Capital Projects				
General Government	-	-	-	-
Public Works	-	-	(50,671)	(50,671)
	<u>10,283,782</u>	<u>-</u>	<u>(152,542)</u>	<u>10,131,240</u>
Total Governmental Fund Balances	<u><u>17,724,649</u></u>	<u><u>2,570,991</u></u>	<u><u>4,353,537</u></u>	<u><u>24,649,177</u></u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 – STABILIZATION FUNDS

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

- *The Stabilization Fund* is used to account for any appropriation, as approved by a 2/3 vote at the annual or special town meeting for additions or reductions to the fund. Any interest shall be added to and become part of the fund. The Stabilization fund balance is \$3,665,975 as of June 30, 2018. The fund was established under chapter 40, sub-section 5B of the Massachusetts General Law.
- *The Capital Improvements Stabilization Fund* is used to account for appropriations funding the acquisition, repair, replacement, extension, reconstruction, enlarging and/or additions to capital equipment, vehicles, and apparatus of the Town and pay notes, bonds, or certificates of indebtedness issued to pay for the cost of such acquisition, repair, replacement, extension, reconstruction, enlarging and additions. The Capital Improvements Stabilization fund balance is \$2,094,293 as of June 30, 2018. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established under Chapter 40 sub-section 5B of MGL.

NOTE 12 – RISK FINANCING

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

Buildings are insured against fire, theft, and natural disaster (except for losses due to flood or earthquake) to the extent that losses exceed \$2,500 per incident. Buildings are insured against flood and earthquake damage, to the extent that losses exceed \$25,000 per incident.

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

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2018.

The Town has several contributory health care options. There are 784 employees and retirees who participate in the Town's health care programs. The Town contributes 50% of the costs for those active employees selecting the PPO plan. The Town contributes 70% of the costs for those active employees selecting HMO plans. The Town contributes 50 % of the costs for all retirees regardless of the plan type selected.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The GASB Standards for *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires the following disclosures in the financial statements related to the retiree medical, dental, and life insurance benefits:

Plan Description. Town of Foxborough Other Postemployment Benefits Plan (The Plan) is a single-employer defined benefit healthcare plan administered by the Town of Foxborough. The plan provides medical, dental, and life insurance benefits to eligible retirees and their spouses. Town meeting vote is the authority to establish and amend benefit provisions to the Town. The Town has accepted various sections of Massachusetts General Laws Chapter 32B to provide 50% of the premium cost of retirees' health, dental and life insurance costs.

Funding Policy. The contribution requirements of plan members and the Town are established and may be amended through local by law. The required contribution is based on projected pay-as-you-go financing requirements. For Fiscal Year 2018, total Town premiums plus implicit costs for the retiree medical program are \$1,382,116. The Town also made a contribution to an OPEB Trust of \$964,069 for a total contribution during the measurement period of \$2,346,185 to be reported on the financial statements for the fiscal year ending June 30, 2018.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to begin pre-funding its other postemployment benefit (OPEB) liabilities. During 2018, the Town pre-funded future OPEB liabilities totaling \$964,069 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2018, the balance of this fund totaled \$8.3 million.

GASB Statement #74 – OPEB Plan Financial Reporting

Measurement Date - GASB #74 requires the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by and actuarial valuation as of June 30, 2017.

Plan Membership – The following table represents the Plan's membership as June 30, 2017:

Active Members	638
Inactive members currently receiving benefits	<u>352</u>
Total	<u><u>990</u></u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
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Components of OPEB Liability – The following table represents the components of the Plan’s OPEB liability as of June 30, 2017:

Total OPEB Liability	\$ 33,483,529
Less: OPEB plan's fiduciary net position	<u>(6,888,077)</u>
Net OPEB Liability	<u><u>\$ 26,595,452</u></u>

The OPEB plan's fiduciary net position as a percentage of the total OPEB liability	20.57%
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TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Significant Actuarial Methods and Assumptions – The plan’s total OPEB liability, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2018 to be in accordance with GASB Statement #74.

Valuation Date:	Actuarially Determined Contribution was calculated as of June 30, 2017.
Actuarial Cost Method:	Individual Entry Age Normal
Asset-Valuation Method:	Market value of assets as of the measurement date, June 30, 2018
Investment Rate of Return	7.01%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate:	3.45% as of June 30, 2018 (source: S&P Municipal Bond 20 year high grade index - SAPIHG)
Single Equivalent Discount Rate:	7.00% net of OPEB plan investment expense, including inflation.
Inflation:	2.75% as of June 30, 2018 and for future periods
Salary Increases:	3.00% annually as of June 30, 2018 and for future periods
Cost of Living Adjustment	Not Applicable
Pre-Retirement Mortality:	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Post-Retirement Mortality:	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Disabled Mortality:	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females
Mortality Experience Study:	The mortality assumptions reflect recent experience analysis published in 2014 (based on the years 2006-2011), updated to reflect data through January 1, 2015 for post-retirement mortality, and professional judgement. As such, mortality assumptions reflect observed current mortality as well as expected mortality improvements.
Changes in assumptions:	From June 30, 2017 to June 30, 2018 - None

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Investment Policy

Rate of Return – For the year ended June 30, 2018 the annual money-weighted rate on investments, net of investments expense, was 4.30%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The long-term real rate of return on OPEB investments was determined using the Town’s investment policy. Best estimates of real rates of returns for each major asset class included in the OPEB plans target asset allocation as of June 30, 2018 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity - large cap	22.50%	4.00%
Domestic equity - small/mid cap	16.50%	6.00%
International equity - developed market	13.00%	4.50%
International equity - emerging market	7.50%	7.00%
Domestic fixed income	22.00%	2.00%
International fixed income	3.00%	3.00%
Alternatives	15.00%	6.50%
Real Estate	0.00%	6.25%
Cash	0.50%	0.00%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2018, and as of June 30, 2017.

Changes in Plan Provisions - None

GASB Statement #75 – OPEB Employer Financial Reporting

Summary of Significant Accounting Policies – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Measurement Date - GASB #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the end of the employer’s current fiscal year, consistently applied from period to period. Accordingly, the net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

TOWN OF FOXBOROUGH, MASSACHUSETTS
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Plan Membership – The following table represents the Plan’s membership as June 30, 2017:

Active Members	638
Inactive members currently receiving benefits	<u>352</u>
 Total	 <u><u>990</u></u>

Components of OPEB Liability – The following table represents the components of the Plan’s OPEB liability as of June 30, 2018:

Total OPEB Liability	\$ 35,387,932
Less: OPEB plan's fiduciary net position	<u>(8,168,952)</u>
 Net OPEB Liability	 <u><u>\$ 27,218,980</u></u>

The OPEB plan's fiduciary net position as a percentage of the total OPEB liability	23.08%
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TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Significant Actuarial Methods and Assumptions – The plan’s total OPEB liability, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2018 to be in accordance with GASB Statement #75.

Valuation Date:	Actuarially Determined Contribution was calculated as of June 30, 2017.
Actuarial Cost Method:	Individual Entry Age Normal
Asset-Valuation Method:	Market value of assets as of the measurement date, June 30, 2018
Investment Rate of Return	7.01%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate:	3.45% as of June 30, 2018 (source: S&P Municipal Bond 20 year high grade index - SAPIHG)
Single Equivalent Discount Rate:	7.00% net of OPEB plan investment expense, including inflation.
Inflation:	2.75% as of June 30, 2018 and for future periods
Salary Increases:	3.00% annually as of June 30, 2018 and for future periods
Cost of Living Adjustment	Not Applicable
Pre-Retirement Mortality:	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Post-Retirement Mortality:	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Disabled Mortality:	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females
Mortality Experience Study:	The mortality assumptions reflect recent experience analysis published in 2014 (based on the years 2006-2011), updated to reflect data through January 1, 2015 for post-retirement mortality, and professional judgement. As such, mortality assumptions reflect observed current mortality as well as expected mortality improvements.
Changes in assumption:	From June 30, 2017 to June 30, 2018 - None

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Rate of Return – For the year ended June 30, 2018 the annual money-weighted rate on investments, net of investments expense, was 4.30%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The long-term real rate of return on OPEB investments was determined using the Town’s investment policy. Best estimates of real rates of returns for each major asset class included in the OPEB plans target asset allocation as of June 30, 2018 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity - large cap	22.50%	4.00%
Domestic equity - small/mid cap	16.50%	6.00%
International equity - developed market	13.00%	4.50%
International equity - emerging market	7.50%	7.00%
Domestic fixed income	22.00%	2.00%
International fixed income	3.00%	3.00%
Alternatives	15.00%	6.50%
Real Estate	0.00%	6.25%
Cash	0.50%	0.00%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2018, and as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2017	\$ 33,483,529	\$ 6,888,077	\$ 26,595,452
Charges for the year:			
Service cost	925,445	-	925,445
Interest on Total OPEB Liability, Service Cost, and Benefit Payments	2,361,074	-	2,361,074
Net Investment Income	-	316,806	(316,806)
Employer Contributions to Trust	-	2,346,185	(2,346,185)
Benefit payments withdrawn from trust	-	(1,382,116)	1,382,116
Benefit payments excluding implicit costs	(1,207,989)	-	(1,207,989)
Implicit cost amount	(174,127)	-	(174,127)
Net Changes	<u>1,904,403</u>	<u>1,280,875</u>	<u>623,528</u>
Balance at June 30, 2018	<u>\$ 35,387,932</u>	<u>\$ 8,168,952</u>	<u>\$ 27,218,980</u>

Sensitivity of the net OPEB liability and service cost to changes in the discount rate – The following table presents the Plan’s net OPEB liability and service cost, calculated using the discount rate of 7.00% as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage- point lower (6.00%) or 1 percentage-point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability	\$ 32,095,976	\$ 27,218,980	\$ 22,341,984
Service Cost	\$ 1,172,238	\$ 925,445	\$ 678,652

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Sensitivity of the net OPEB liability and service cost to changes in the healthcare trend – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of 5.00% as well as what the net OPEB liability and service cost would be if it were calculated using a healthcare trend rate that is 1% point lower or 1% point higher.

	1% Decrease (4.00%)	Current Trend (5.00%)	1% Increase (6.00%)
	<u> </u>	<u> </u>	<u> </u>
Net OPEB liability	\$ 18,854,078	\$ 27,218,980	\$ 37,521,072
Service Cost	\$ 573,747	\$ 925,445	\$ 1,391,562

The Town’s deferred outflows of resources related to other postemployment benefits will be recognized in future years other postemployment benefits expense are as follows:

<u>Period Year ended June 30</u>	<u>Amount</u>
2019	\$ 39,853
2020	39,854
2021	39,854
2022	39,854
Total Deferred Outflows Recognized in Future OPEB Expenses	<u><u>\$ 159,415</u></u>

Changes of Assumption – None

Changes in Plan Provisions - None

NOTE 14 – PENSION PLANS

A. Plan Descriptions

The Town is a member of the Norfolk County Contributory Retirement System (The System), a cost-sharing multiple-employer, contributory defined benefit pension plan covering eligible employees of the 41 member units deemed eligible by the system. Chapter 32 of the Massachusetts General Law assigns authority to establish and amend benefit provisions of the system. Substantially all employees are members of the system except for school teachers and certain school administrators.

The System issues a publically available audited financial report that may be obtained by contacting the system’s executive director at 480 Neponset Street, Building #15, Canton, Massachusetts 02021. The report can also be obtained online at www.norfolkcountyretirement.org.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>. The MTRS report may also be obtained by contacting MTRS at One Charles Park, Cambridge, Massachusetts 02142-1206.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No.68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2017. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$7,626,019 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$73,065,114 as of the measurement date.

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.

B. Benefits Provided

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

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

Cost-of living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited in to the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the system and all costs are borne by the system.

C. Contributions

Norfolk County Contributory Retirement System

Chapter 32 of MGL governs the contributions of plan members and member employees. Active plan members are required to contribute to the system at rates ranging from 5 to 9% of their gross compensation. Members joining the system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the system, a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution for the year ended December 31, 2017 which was \$4,011,736 and 21.07% of covered payroll, actuarially determined as an amount that when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

D. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Pension Liabilities

At June 30, 2018 the Town reported a liability of \$34,658,995 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, updated procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members actuarially determined, At December 31, 2017, the Town's proportion was 6.27% which is a decrease of 0.10% from its proportion measured as of December 31, 2016.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2018 the Town recognized pension expense of \$4,792,666. At June 30, 2018 the Town reported deferred outflows and inflows of resources related to pensions of \$7,195,216 and \$5,249,340 respectively.

The balances of deferred outflows and inflows as June 30, 2018 consist of the following:

<u>Deferred Category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Difference between expected and actual experience	\$ 3,304,053	\$ -	\$ 3,304,053
Changes of Assumptions	1,737,810	(1,397,832)	339,978
Difference between projected and actual investment earnings	2,153,353	(3,223,926)	(1,070,573)
Changes in proportionate share of contributions	-	(627,582)	(627,582)
Total Deferred Outflows (Inflows) of Resources	<u>\$ 7,195,216</u>	<u>\$ (5,249,340)</u>	<u>\$ 1,945,876</u>

The Town's net deferred outflows/inflows of resources related to pensions will be recognized in future pension expense is as follows:

<u>Year ended June 30</u>	<u>Amount</u>
2018	\$ 1,066,079
2019	853,508
2020	417,339
2021	(391,050)
Totals	<u>\$ 1,945,876</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

E. Actuarial Assumptions

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Valuation date	January 1, 2018
Actuarial cost method	Entry age normal cost method
Amortization method	Open-level percent of payroll.
Cost of Living Increase	3.0% of first \$17,000 of retirement income
Asset valuation method	market value
Inflation rate	4.0%
Projected Salary increases	3.5% - 5.5%
Mortality rates	The RP-2014 blue collar mortality table adjusted with scale MP-2014.
Investment rate of return	7.75%

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

F. Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	32.0%	8.80%
International Equities	17.5%	8.80%
Fixed Income	19.0%	3.60%
Private Equity	8.5%	13.30%
Real Estate	9.0%	7.40%
Real Assets	5.0%	10.40%
Hedge Funds	9.0%	7.40%
Total	<u>100%</u>	

The system's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the plan.

For the year ended December 31, 2017 the System's annual money-weighted rate of return on pension plan investments net of pension plan investment expense was 14.81%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

G. Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2017 was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Under Chapter 32 of the MGL, employers are required to make the necessary contributions such that the plan reaches full funding status by 2040. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

H. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the system, as of December 31, 2017 calculated using the discount rate of 7.75%, as well as what the system's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The Towns proportionate share of the net pension liability	\$ 44,852,164	\$ 34,658,995	\$ 25,999,829

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

NOTE 15 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2018, 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 (11 years remaining), and the estimated liability has been recorded in the Statement of Net Position, Governmental Activities. The \$407,000 reported as landfill post-closure liability at June 30, 2018 is based on what it would cost to perform all post-closure care costs at June 30, 2018. 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, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2018.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 16 – RESTATEMENT DUE TO A CHANGE IN ACCOUNTING STANDARDS

During 2018, GASB Statement #75, Accounting and Financial Reporting for Postemployment Benefits other than pensions was implemented. This resulted in a restatement of the governmental activities and business type activities beginning net position at June 30, 2017 to reflect the recording for postemployment benefits liability.

Description	Statement of Net Position			
	Primary Government		Business-type Activities	
	Governmental Activities	Business-type Activities	Water	Sewer
Total Net Position at June 30, 2017, as previously reported	\$ 43,198,216	\$ 20,871,786	\$ 17,998,231	\$ 2,873,555
To adjust the beginning post employment benefits liability	(11,724,018)	(528,695)	(538,136)	9,441
Total Net Position at June 30, 2017, as restated	\$ 31,474,198	\$ 20,343,091	\$ 17,460,095	\$ 2,882,996

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2018, the following GASB pronouncements were implemented:

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

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

The GASB issued **Statement #85**, *Omnibus 2017*, which was implemented in 2018. Management’s current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #86**, *Certain Debt Extinguishment Issues*, which was implemented in 2018. Management’s current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Future GASB Pronouncements:

The GASB issued **Statement #83**, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #84**, *Fiduciary Activities*, which is required to be implemented in 2020. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #87**, *Leases*, which is required to be implemented in 2021. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #88**, *Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements*, which is required to be implemented in 2019. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #89**, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #90**, *Majority Equity Interests – an Amendment of GASB Statements No.14 and No.61*, which is required to be implemented in 2019. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

**TOWN OF FOXBOROUGH, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
NORFOLK COUNTY CONTRIBUTORY RETIREMENT SYSTEM
JUNE 30, 2018**

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Town's proportion of the net pension liability	6.27%	6.40%	6.40%	6.41%
Town's proportionate share of the net pension liability	\$ 34,658,995	\$ 33,407,360	\$ 34,763,508	\$ 33,268,513
Town's covered-employee payroll	\$ 19,038,711	\$ 17,949,748	\$ 17,018,788	\$ 15,653,875
Town's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	182.04%	186.12%	204.27%	212.53%
Plan fiduciary net position as a percentage of the total pension liability	63.50%	61.60%	58.60%	60.10%

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

See notes to Required Supplementary Information

**TOWN OF FOXBOROUGH, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
NORFOLK COUNTY CONTRIBUTORY RETIREMENT SYSTEM
JUNE 30, 2018**

SCHEDULE OF TOWN'S CONTRIBUTION

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Actuarially determined contribution	\$ 4,011,736	\$ 3,655,092	\$ 3,318,800	\$ 3,028,356
Contribution in relation to the actuarially determined contribution	<u>(4,011,736)</u>	<u>(3,655,092)</u>	<u>(3,318,800)</u>	<u>(3,028,356)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 19,038,711	\$ 17,949,748	\$ 17,018,788	\$ 15,653,875
Contribution as a percentage of covered - employee payroll	21.07%	20.36%	19.50%	19.35%

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

See notes to Required Supplementary Information

**TOWN OF FOXBOROUGH, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
MASSACHUSETTS TEACHERS RETIREMENT SYSTEM
JUNE 30, 2018**

Schedule of the Commonwealth's Collective amounts of the Net Pension Liability

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of total liability.

<u>Fiscal Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the Town</u>	<u>Town's Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2018	\$ 73,065,114	\$ 7,626,019	54.25%
2017	72,111,005	7,355,795	52.73%
2016	67,233,573	5,453,241	55.38%
2015	51,262,819	3,561,474	61.64%

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**TOWN OF FOXBOROUGH, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2018**

Schedule of the Town's Net OPEB Liability and Related Ratios

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total OPEB Liability		
Service Cost	\$ 925,445	\$ 925,445
Interest on total OPEB liability, service cost, and benefit payments	2,361,074	2,236,485
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit Payments Including Implicit Costs	<u>(1,382,116)</u>	<u>(1,382,116)</u>
Net Change in total OPEB liability	1,904,403	1,779,814
Total OPEB liability-beginning	<u>33,483,529</u>	<u>31,703,715</u>
Total OPEB liability-ending (a)	<u><u>35,387,932</u></u>	<u><u>33,483,529</u></u>
 Plan fiduciary net position		
Contributions-employer	2,346,185	2,346,185
Net investment income	316,806	420,991
Benefit payments	(1,382,116)	(1,382,116)
Administrative expenses	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	1,280,875	1,385,060
Plan fiduciary net position - beginning	<u>6,888,077</u>	<u>5,503,017</u>
Plan fiduciary net position - ending (b)	<u><u>8,168,952</u></u>	<u><u>6,888,077</u></u>
 Town's net OPEB liability-ending (a)-(b)	 <u><u>\$ 27,218,980</u></u>	 <u><u>\$ 26,595,452</u></u>
 Plan fiduciary net position as a percentage of total OPEB liability	 23.08%	 20.57%
 Covered-employee payroll	 \$ 41,776,289	 \$ 40,559,503
 Plan's net OPEB liability as a percentage of covered-employee payroll	 65.15%	 65.57%

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available

See notes to required supplementary information.

**TOWN OF FOXBOROUGH, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2018**

Schedule of the Town's Contribution

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Actuarial determined contribution	\$ 2,928,465	\$ 3,032,780
Contributions in relation to the actuarially determined contribution	<u>(2,346,185)</u>	<u>(2,346,185)</u>
Contribution deficiency (excess)	<u>\$ 582,280</u>	<u>\$ 686,595</u>
Covered-employee payroll	\$ 41,776,289	\$ 40,559,503
Contributions as a percentage of covered- employee payroll	5.62%	5.78%

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**TOWN OF FOXBOROUGH, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2018**

Schedule of Investment Return

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual money-weighted rate of return, net of investment expense	4.30%	7.01%

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**TOWN OF FOXBOROUGH
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

Pension Plan Schedules

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

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

B. Schedule of Town's Contribution

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

C. Schedule of the Commonwealth's Collective amounts of the Net Pension Liability

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total pension liability.

D. Changes in Plan Provisions – None

Other Postemployment Benefits Schedules

A. Schedule of the Town's Net OPEB Liability and Related Ratios

The Schedule of the Town's Net OPEB Liability and Related Ratios presents multi-year trend information on changes in the plan's total OPEB liability, changes in the plan's net position, and ending net OPEB liability. It also demonstrates the plan's net position as a percentage of the total liability and the plan's net OPEB liability as a percentage of covered-employee payroll.

B. Schedule of the Town's Contribution

The Schedule of the Town's contributions includes the Town's annual required contribution to the plan, along with the contribution made in relation to the actuarially determined contribution. The Town is not required to fully fund this contribution.

TOWN OF FOXBOROUGH
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

C. Schedule of Investment Return

The Schedule of Investment Return includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

D. Changes in Provisions - None