

**TOWN OF FOXBOROUGH, MASSACHUSETTS**

**REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Board of Selectmen  
Town of Foxborough, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Foxborough, Massachusetts as of and for the year ended June 30, 2005, which collectively comprise the Town of Foxborough, Massachusetts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Foxborough, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Foxborough, Massachusetts, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2006, on our consideration of the Town of Foxborough, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*R.E. Brown & Company*

January 17, 2006

## Management's Discussion and Analysis

As management of the Town of Foxborough (the "Town"), we offer readers of these basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2005. This is the third year our financial statements have been prepared under the Governmental Accounting Standards Board Statement Number 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This new reporting model represents a major change when compared to prior financial statements. We encourage readers to consider the information presented in this report.

### *Financial Highlights*

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$42.9 million (net assets). Of this amount, \$16.2 million is considered unrestricted (unrestricted net assets).
- The unrestricted net assets of the Town's governmental activities are \$12.46 million and may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net assets of the Town's business-type activities are \$3.77 million and may be used to meet the ongoing obligations of the Town's water, sewer, and sanitation business-type activities.
- The government's total net assets increased by \$15.3 million, or 55%, in fiscal 2005. Within this total, net assets of governmental activities increased by \$14.87 million, a 66% increase from fiscal 2004. Also, net assets of business-type activities increased by \$447 thousand or 8.5% from 2004.
- At June 30, 2005, the Town's governmental funds had a combined ending fund balance of \$15 million. The combined governmental funds balance increased by \$25.2 million or 247% from the prior year's ending fund balance. A total of \$13.3 million, or 88% of the \$15 million fund balance is considered unreserved at June 30, 2005.
- The Town's general fund reported a fund balance of \$6.4 million at the end of fiscal 2005. The unreserved fund balance for the general fund was \$4.97 million or 11.5% of total general fund expenditures and transfers to other funds. There was a \$178 thousand increase in total general fund balance for the year. A total of \$2.18 million of the unreserved fund balance was designated for funding the fiscal year 2006 budget.
- The total cost of all Town services for fiscal 2005 was \$50.68 million, \$47.35 million of which was for governmental services, and \$3.33 million of which was for business-type activities.
- The Town's total bonded debt increased by \$13 million or 87.5% during the year. The key factors in this increase were the issuance of \$8.239 million in general obligation bonds (excluded from proposition 2 1/2) to construct a new joint public safety building, \$4.38 million in general obligation bonds (excluded from proposition 2 1/2) to permanently bond the renovation and expansion of the Ahern middle school, \$1.194 million in general obligation bonds for various equipment purchases, \$200 thousand in general obligation bonds for sewer infrastructure improvements, and total principal redemptions of \$996 thousand.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Government-wide Financial Analysis:***

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

As noted earlier, assets exceed liabilities by \$42,976,233 at the close of fiscal year 2005. The Town is able to report positive balances in all categories of net assets, both for the government as a whole, and for its separate governmental and business-type activities.

A key component of the Town’s net assets are its *unrestricted net assets* totaling \$16,239,227, or 37.8% of net assets, which may be used to meet the government’s ongoing obligations to its citizens and creditors.

The Town’s investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets, is \$22,411,106, or 52.1% of net assets. The Town uses these capital assets to provide services to citizens; consequently, these assets **are not** available for future spending. Although the investment in the Town’s capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town reduced its total liabilities by \$5.8 million over fiscal 2005, while total net assets increased by \$15.3 million, or 55.4%.

Net assets of governmental activities increased by \$14.8 million, a 66.3% increase from fiscal 2004. This increase was primarily driven by \$14.06 million in Massachusetts School Building Authority reimbursement proceeds allowing for the permanent retirement of short-term debt in the same amount, a \$1.47 million land acquisition which was finalized in the first month of FY ’05 (financing was in place at the end of FY ’04), principal repayments of \$566 thousand, depreciation of \$1.46 million, and a net \$164 thousand net asset increase from all other governmental activity.

Net assets of business-type activities increased by \$447 thousand, or 8.5% from fiscal 2004. Net asset increases were primarily the function of \$457 thousand in capital asset additions, \$271 thousand in depreciation, principal repayments of \$430 thousand, a \$241 thousand reduction in cash and receivables, and a \$72 thousand reduction in non-debt related liabilities.

There was an increase of \$304,759 in net assets reported in connection with the water business-type activities. There were also increases of \$83,403 and \$59,308 in net assets in connection with the sewer and sanitation business-type activities, respectively.

A portion of the total net assets amounting to \$4,325,900, or 10% of total net assets, represents resources that are subject to external restrictions on how they may be used.

**TOWN of FOXBOROUGH - FINANCIAL HIGHLIGHTS**

	Governmental Activities			Business-type Activities			Total Primary Government		
	FY 2005	FY 2004	Increase (Decrease)	FY 2005	FY 2004	Increase (Decrease)	FY 2005	FY 2004	Increase (Decrease)
<b>Assets:</b>									
Current Assets	\$ 27,136,667	\$ 19,185,468	\$ 7,951,199	\$ 4,420,337	\$ 4,661,093	\$ (240,756)	\$ 31,557,004	\$ 23,846,561	\$ 7,710,443
Noncurrent Assets (excluding capital)	2,382,355	2,548,615	(166,260)	-	-	-	2,382,355	2,548,615	(166,260)
Capital Assets	37,645,551	35,780,495	1,865,056	9,038,098	8,852,456	185,642	46,683,649	44,632,951	2,050,698
<b>Total Assets</b>	<b>67,164,573</b>	<b>57,514,578</b>	<b>9,649,995</b>	<b>13,458,435</b>	<b>13,513,549</b>	<b>(55,114)</b>	<b>80,623,008</b>	<b>71,028,127</b>	<b>9,594,881</b>
<b>Liabilities:</b>									
Current Liabilities (excluding debt)	3,489,001	3,221,839	267,162	97,867	171,652	(73,785)	3,586,868	3,393,491	193,377
Noncurrent Liabilities (excluding debt)	1,374,927	1,413,188	(38,261)	36,318	34,980	1,338	1,411,245	1,448,168	(36,923)
Current Debt	6,098,746	24,101,100	(18,002,354)	442,046	630,137	(188,091)	6,540,792	24,731,237	(18,190,445)
Noncurrent Debt	18,897,105	6,423,205	12,473,900	7,210,765	7,452,811	(242,046)	26,107,870	13,876,016	12,231,854
<b>Total Liabilities</b>	<b>29,859,779</b>	<b>35,159,332</b>	<b>(5,299,553)</b>	<b>7,786,996</b>	<b>8,289,580</b>	<b>(502,584)</b>	<b>37,646,775</b>	<b>43,448,912</b>	<b>(5,802,137)</b>
<b>Net Assets:</b>									
Capital Assets Net of Related Debt	20,511,019	7,185,289	13,325,730	1,900,087	478,485	1,421,602	22,411,106	7,663,774	14,747,332
Restricted	4,325,900	3,689,874	636,026	-	-	-	4,325,900	3,689,874	636,026
Unrestricted	12,467,875	11,556,541	911,334	3,771,352	4,745,484	(974,132)	16,239,227	16,302,025	(62,798)
<b>Total Net Assets</b>	<b>\$ 37,304,794</b>	<b>\$ 22,431,704</b>	<b>\$ 14,873,090</b>	<b>\$ 5,671,439</b>	<b>\$ 5,223,969</b>	<b>\$ 447,470</b>	<b>\$ 42,976,233</b>	<b>\$ 27,655,673</b>	<b>\$ 15,320,560</b>
<b>Revenues</b>									
<i>Program Revenues:</i>									
Charges for Services	\$ 4,838,342	\$ 4,383,646	\$ 454,696	\$ 4,065,036	\$ 3,583,880	\$ 481,156	\$ 8,903,378	\$ 7,967,526	\$ 935,852
Operating Grants and Contributions	12,803,823	11,378,520	1,425,303	161,344	153,323	8,021	12,965,167	11,531,843	1,433,324
Capital Grants and Contributions	14,347,129	218,822	14,128,307	99,213	101,908	(2,695)	14,446,342	320,730	14,125,612
<i>General Revenues:</i>									
Real Estate and Personal Property Taxes	24,839,325	24,362,153	477,172	-	-	-	24,839,325	24,362,153	477,172
Tax Liens	189,131	78,525	110,606	-	-	-	189,131	78,525	110,606
Motor Vehicle and Other Excise Taxes	2,322,648	2,295,847	26,801	-	-	-	2,322,648	2,295,847	26,801
Hotel/Motel Tax	363,402	329,245	34,157	-	-	-	363,402	329,245	34,157
Penalties and Interest on Taxes	134,452	125,834	8,618	-	-	-	134,452	125,834	8,618
Nonrestricted Grants and Contributions	1,597,892	1,430,245	167,647	-	-	-	1,597,892	1,430,245	167,647
Unrestricted Investment Income	243,184	149,388	93,796	-	-	-	243,184	149,388	93,796
Other Revenues	2,574	285,865	(283,291)	-	-	-	2,574	285,865	(283,291)
<b>Total Revenues</b>	<b>61,681,902</b>	<b>45,038,090</b>	<b>16,643,812</b>	<b>4,325,593</b>	<b>3,839,111</b>	<b>486,482</b>	<b>66,007,495</b>	<b>48,877,201</b>	<b>17,130,294</b>
<b>Expenses:</b>									
General Government	(2,048,821)	(1,620,986)	(427,835)	-	-	-	(2,048,821)	(1,620,986)	(427,835)
Public Safety	(4,113,257)	(4,672,729)	559,472	-	-	-	(4,113,257)	(4,672,729)	559,472
Education	(26,613,650)	(25,917,542)	(696,108)	-	-	-	(26,613,650)	(25,917,542)	(696,108)
Public Works	(1,822,321)	(1,605,510)	(216,811)	-	-	-	(1,822,321)	(1,605,510)	(216,811)
Human Services	(454,827)	(435,017)	(19,810)	-	-	-	(454,827)	(435,017)	(19,810)
Culture and Recreation	(1,196,933)	(1,047,065)	(149,868)	-	-	-	(1,196,933)	(1,047,065)	(149,868)
Employee Benefits	(9,824,790)	(9,797,352)	(27,438)	-	-	-	(9,824,790)	(9,797,352)	(27,438)
State and County Assessments	(244,913)	(222,136)	(22,777)	-	-	-	(244,913)	(222,136)	(22,777)
Interest	(1,031,035)	(736,938)	(294,097)	-	-	-	(1,031,035)	(736,938)	(294,097)
Water	-	-	-	(1,730,892)	(2,037,595)	306,703	(1,730,892)	(2,037,595)	306,703
Sewer	-	-	-	(725,436)	(664,047)	(61,389)	(725,436)	(664,047)	(61,389)
Sanitation	-	-	-	(880,060)	(898,330)	18,270	(880,060)	(898,330)	18,270
<b>Total Expenses</b>	<b>(47,350,547)</b>	<b>(46,055,275)</b>	<b>(1,295,272)</b>	<b>(3,336,388)</b>	<b>(3,599,972)</b>	<b>263,584</b>	<b>(50,686,935)</b>	<b>(49,655,247)</b>	<b>(1,031,888)</b>
<b>Transfers</b>	<b>541,735</b>	<b>364,610</b>	<b>177,125</b>	<b>(541,735)</b>	<b>(364,610)</b>	<b>(177,125)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>14,873,090</b>	<b>(652,575)</b>	<b>15,525,665</b>	<b>447,470</b>	<b>(125,471)</b>	<b>572,941</b>	<b>15,320,560</b>	<b>(778,046)</b>	<b>16,098,606</b>
<b>Net Assets - Beginning</b>	<b>22,431,704</b>	<b>23,084,279</b>	<b>(652,575)</b>	<b>5,223,969</b>	<b>5,349,440</b>	<b>(125,471)</b>	<b>27,655,673</b>	<b>28,433,719</b>	<b>(778,046)</b>
<b>Net Assets - Ending</b>	<b>\$ 37,304,794</b>	<b>\$ 22,431,704</b>	<b>\$ 14,873,090</b>	<b>\$ 5,671,439</b>	<b>\$ 5,223,969</b>	<b>\$ 447,470</b>	<b>\$ 42,976,233</b>	<b>\$ 27,655,673</b>	<b>\$ 15,320,560</b>

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

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$15,054,404, a \$25.24 million increase from the prior year's ending fund balance. The increase was primarily impacted by the partial state reimbursement of the Ahern Middle School capital project in the amount of \$14.06 million, the permanent financing of the Town's share of the same project in the amount of \$4.38 million, the remaining bond proceeds associated with the newly bonded Joint Public Safety Building of \$7.74 million, a net \$560 thousand improvement in all other governmental fund balances, and offset by the \$1.5 million payout of prior year bond proceeds for a land acquisition.

The general fund is the primary operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,978,437, while total fund balance stood at \$6,431,687. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11.58% of total general fund expenditures, while total fund balance represents 14.96% of that same amount.

General fund revenue increased by \$1.65 million and was primarily attributable to \$1.1 million in property tax increases and \$468 thousand in state aid revenue increases. The ending fund balance of the general fund increased by \$178 thousand. This result is the product of management's conservative planning and budgeting and the use of unreserved fund balance to maintain the Town's services and financial position.

The stabilization fund has accumulated a fund balance of \$2,196,865, which represents 5.1% of general fund expenditures. These funds can be used for general or capital purposes upon Town Meeting approval.

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

The Town's final budget for revenue was increased by \$138,843, due to a one-time state aid payment, to \$35.4 million. The final expense budget was increased by \$1.394 million, due to bond proceeds received for capital project expenses (\$859 thousand), a health insurance budget supplement (\$281 thousand), and a bond anticipation note interest payment funded from bond premium receipts (\$254 thousand), for a total final expense budget of \$40.07 million. The budget was balanced by drawing on transfers (\$1.225 million), bond proceeds (\$859 thousand) and prior year surplus (\$2.58 million) to finance the difference.

### ***Capital Asset and Debt Administration***

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

The Town's investment in capital assets for governmental and business type activities, as summarized below, as of June 30, 2005, amounts to \$46,683,649, net of accumulated depreciation. The investment in capital assets includes land, buildings, machinery and equipment, vehicles and infrastructure.

The governmental activities capital assets were increased by \$3.33 million and reduced by \$1.46 million in depreciation, for a net increase of \$1.87 million during the current fiscal year. Business-type activities capital assets were increased by \$457 thousand and reduced by \$271 thousand in depreciation, for a net increase of \$186 thousand. Total net increases to town wide capital assets were \$2.05 million.

**Capital Assets  
(Net of Depreciation)**

	Governmental Activities			Business-type Activities			Total Primary Government		
	FY 2005	FY 2004	Increase (Decrease)	FY 2005	FY 2004	Increase (Decrease)	FY 2005	FY 2004	Increase (Decrease)
	Land	\$ 6,461,525	\$ 4,990,825	\$ 1,470,700	\$ 692,282	\$ 692,282	\$ 0	\$ 7,153,807	\$ 5,683,107
Buildings	28,216,369	29,128,987	(912,618)	-	-	-	28,216,369	29,128,987	(912,618)
Capital Improvements (other than buildings)	77,635	85,229	(7,594)	-	-	-	77,635	85,229	(7,594)
Machinery and Equipment	54,527	12,425	42,102	33,812	45,742	(11,930)	88,339	58,167	30,172
Vehicles	1,982,677	1,563,029	419,648	46,250	25,500	20,750	2,028,927	1,588,529	440,398
Infrastructure	353,612	-	353,612	8,265,754	8,088,932	176,822	8,619,366	8,088,932	530,434
Construction in Progress	499,206	-	499,206	-	-	-	499,206	-	499,206
<b>Total Capital Assets</b>	<b>\$ 37,645,551</b>	<b>\$ 35,780,495</b>	<b>\$ 1,865,056</b>	<b>\$ 9,038,098</b>	<b>\$ 8,852,456</b>	<b>\$ 185,642</b>	<b>\$ 46,683,649</b>	<b>\$ 44,632,951</b>	<b>\$ 2,050,698</b>

**Long Term Debt** - The Town's debt burden is reasonable in relation to other communities its size. Outstanding long-term debt, as of June 30, 2005, totaled \$27,889,016. Within this total, business-type activities have debt of \$7,652,811 that is fully supported by their respective utility rates. Total debt consists of the following:

**Outstanding Long Term Debt at Year End**

Governmental Activities	Outstanding June 30, 2005	Outstanding June 30, 2004	Increase (Decrease)
School	\$ 1,470,000	\$ 1,715,000	\$ (245,000)
Title V	133,205	144,305	(11,100)
Landfill Closure	1,675,000	1,790,000	(115,000)
Senior Center	410,000	445,000	(35,000)
Land Acquisition	60,000	70,000	(10,000)
School	1,250,000	1,325,000	(75,000)
Land Acquisition	1,425,000	1,500,000	(75,000)
School Remodeling	134,000	-	134,000
School Busses	175,000	-	175,000
Highway Equipment	195,000	-	195,000
Fire Engines	690,000	-	690,000
Joint Public Safety Building	8,239,000	-	8,239,000
Ahern School Building	4,380,000	-	4,380,000
<b>Total Governmental Activities</b>	<b>\$ 20,236,205</b>	<b>\$ 6,989,305</b>	<b>\$ 13,246,900</b>
Business-type Activities	Outstanding June 30, 2005	Outstanding June 30, 2004	Increase (Decrease)
Sewer	\$ 335,668	\$ 358,711	\$ (23,043)
Sewer	76,236	81,125	(4,889)
Sewer	968,154	1,019,686	(51,532)
Sewer	100,000	120,000	(20,000)
Sewer	200,000	-	200,000
Land Acquisition - Water	80,000	90,000	(10,000)
Water Reuse	2,065,000	2,180,000	(115,000)
Water	3,240,000	3,420,000	(180,000)
Water	540,423	564,315	(23,892)
Water	47,330	49,111	(1,781)
<b>Total Business-type Activities</b>	<b>\$ 7,652,811</b>	<b>\$ 7,882,948</b>	<b>\$ (230,137)</b>
<b>Grand Total All Long Term Debt</b>	<b>\$ 27,889,016</b>	<b>\$ 14,872,253</b>	<b>\$ 13,016,763</b>

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

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

The Town's leadership (elected and appointed officials) considered many factors when setting the fiscal 2006 budget and tax rates including the following:

- One of the most significant financial factors was the estimated amount of local aid from the state for FY '06, which is down \$1.1 million from the peak FY '01 levels, and has been down over \$5 million cumulatively over the past five years due to the state's economic down cycle.
- However the FY '07 outlook is encouraging. The Governor's FY '07 state aid proposal is slightly above the FY '01 funding levels, although still ~\$1.25 million less than FY '01 on an inflation adjusted basis.
- The Town leadership continued to find ways to balance general fund operating budgets, such as by continuing to keep a very tight reign on spending, locking in long-term utility contracts, and settling union contracts at a cost the Town can afford.
- Also, as the Town's cash position improved at FYE '05 and early FY '06, officials committed to change the funding source to cash for all FY '06 general fund capital items (\$719K) that were originally budgeted to be borrowed for.
- Continuing with the recommendations from the 2004 comprehensive long range rate study of the water and sewer operations, the Board of Water and Sewer commissioners voted to increase water rates by 5% and sewer rates by 3% for all customers effective July 1<sup>st</sup>, 2005. These increases are expected to increase fiscal 2006 ending net assets.
- The fiscal 2006 tax rate was set at \$10.32, a 61 cent decrease from fiscal 2005, a rate which brought the tax levy to the allowable levy limit for the ninth consecutive year.
- The Board of Selectmen voted during their classification hearing to maintain the same tax rate for all classes of property in order to continue to encourage development of the commercial tax base within the town. Fortunately, it appears this encouragement will soon be attracting material new commercial growth along the Route One corridor around Gillette Stadium.
- The state has finally funded its full share of the Town's Ahern Middle School capital project. The state's share is 68% of the total project cost, which includes financing costs, or \$18.8 million in total. The Town replaced the current liability of \$23.2 million in short-term financing with permanent financing of \$4.4 million in June of 2005. The FYE '05 statements also reflect the remaining \$4.76 million in a related 60 day note, which was finally retired in August of 2005 when the Massachusetts School Building Authority completed their audit and released final payment, fully covering this amount.
- The Town approved a \$5 million supplement to the original \$10.4 million plan to fund a joint public safety building with primarily (\$12.754 million) excluded debt. This project is expected to be completed in 2007.

### ***Request for Information***

This financial report is designed to provide a general overview of the Town of Foxborough's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Director, 40 South Street, Foxborough, MA 02035.

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 23,857,717	\$ 3,302,616	\$ 27,160,333
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	237,173	-	237,173
TAX LIENS	650,495	-	650,495
MOTOR VEHICLE EXCISE TAXES	200,079	-	200,079
USER FEES	-	1,065,480	1,065,480
DEPARTMENTAL AND OTHER	584,101	-	584,101
INTERGOVERNMENTAL	1,236,601	52,241	1,288,842
OTHER ASSETS	370,501	-	370,501
NONCURRENT:			
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
INTERGOVERNMENTAL	2,382,355	-	2,382,355
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	37,645,551	9,038,098	46,683,649
<b>TOTAL ASSETS</b>	<b>67,164,573</b>	<b>13,458,435</b>	<b>80,623,008</b>
<b><u>LIABILITIES</u></b>			
CURRENT:			
WARRANTS PAYABLE	2,385,385	68,327	2,453,712
ACCRUED LIABILITIES	97,971	-	97,971
HEALTH CLAIMS PAYABLE	610,882	-	610,882
OTHER LIABILITIES	23,694	-	23,694
ACCRUED INTEREST	42,231	19,522	61,753
BONDS AND NOTES PAYABLE	6,098,746	442,046	6,540,792
LANDFILL POSTCLOSURE CARE COSTS	35,000	-	35,000
COMPENSATED ABSENCES	293,838	10,018	303,856
NONCURRENT:			
BONDS AND NOTES PAYABLE	18,897,105	7,210,765	26,107,870
LANDFILL POSTCLOSURE CARE COSTS	805,000	-	805,000
COMPENSATED ABSENCES	569,927	36,318	606,245
<b>TOTAL LIABILITIES</b>	<b>29,859,779</b>	<b>7,786,996</b>	<b>37,646,775</b>
<b><u>NET ASSETS</u></b>			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	20,511,019	1,900,087	22,411,106
RESTRICTED FOR:			
STREETS	1,001,721	-	1,001,721
PERMANENT FUNDS:			
EXPENDABLE	42,435	-	42,435
NONEXPENDABLE	254,640	-	254,640
OTHER PURPOSES	3,027,104	-	3,027,104
UNRESTRICTED	12,467,875	3,771,352	16,239,227
<b>TOTAL NET ASSETS</b>	<b>\$ 37,304,794</b>	<b>\$ 5,671,439</b>	<b>\$ 42,976,233</b>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2005**

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
<b>PRIMARY GOVERNMENT:</b>					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 2,048,821	\$ 573,472	\$ 3,584	\$ -	\$ (1,471,765)
PUBLIC SAFETY	4,113,257	1,108,848	196,522	-	(2,807,887)
EDUCATION	26,613,650	1,348,149	8,156,595	14,060,354	(3,048,552)
PUBLIC WORKS	1,822,321	3,838	462,958	286,775	(1,068,750)
HUMAN SERVICES	454,827	45,217	25,245	-	(384,365)
CULTURE & RECREATION	1,196,933	124,368	54,361	-	(1,018,204)
EMPLOYEE BENEFITS	9,824,790	1,634,450	3,904,558	-	(4,285,782)
STATE & COUNTY ASSESSMENTS	244,913	-	-	-	(244,913)
INTEREST	1,031,035	-	-	-	(1,031,035)
TOTAL GOVERNMENTAL ACTIVITIES	47,350,547	4,838,342	12,803,823	14,347,129	(15,361,253)
BUSINESS-TYPE ACTIVITIES:					
WATER	1,730,892	2,331,575	129,591	24,781	755,055
SEWER	725,436	739,219	23,712	74,432	111,927
SANITATION	880,060	994,242	8,041	-	122,223
TOTAL BUSINESS-TYPE ACTIVITIES	3,336,388	4,065,036	161,344	99,213	989,205
TOTAL PRIMARY GOVERNMENT	\$ 50,686,935	\$ 8,903,378	\$ 12,965,167	\$ 14,446,342	\$ (14,372,048)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2005**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>CHANGES IN NET ASSETS:</b>			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (15,361,253)	\$ 989,205	\$ (14,372,048)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	24,839,325	-	24,839,325
TAX LIENS	189,131	-	189,131
MOTOR VEHICLE AND OTHER EXCISE TAXES	2,322,648	-	2,322,648
HOTEL/MOTEL TAX	363,402	-	363,402
PENALTIES AND INTEREST ON TAXES	134,452	-	134,452
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,597,892	-	1,597,892
UNRESTRICTED INVESTMENT INCOME	243,184	-	243,184
MISCELLANEOUS	2,574	-	2,574
TRANSFERS, NET	541,735	(541,735)	-
TOTAL GENERAL REVENUES AND TRANSFERS	30,234,343	(541,735)	29,692,608
CHANGE IN NET ASSETS	14,873,090	447,470	15,320,560
<b>NET ASSETS:</b>			
<b>BEGINNING OF YEAR</b>	22,431,704	5,223,969	27,655,673
<b>END OF YEAR</b>	\$ 37,304,794	\$ 5,671,439	\$ 42,976,233

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2005**

<b>ASSETS</b>	<b>GENERAL</b>	<b>AHEARN SCHOOL</b>	<b>JOINT PUBLIC SAFETY BUILDING</b>	<b>STABILIZATION</b>	<b>NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
CASH AND SHORT-TERM INVESTMENTS	\$ 8,755,854	\$ 92,267	\$ 7,739,794	\$ 2,196,865	\$ 3,427,347	\$ 22,212,127
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:						
REAL ESTATE AND PERSONAL PROPERTY TAXES	237,173	-	-	-	-	237,173
TAX LIENS	650,495	-	-	-	-	650,495
MOTOR VEHICLE EXCISE TAXES	200,079	-	-	-	-	200,079
DEPARTMENTAL AND OTHER	23,914	-	-	-	267,405	291,319
INTERGOVERNMENTAL	2,577,421	-	-	-	1,041,535	3,618,956
OTHER ASSETS	18,101	-	-	-	-	18,101
<b>TOTAL ASSETS</b>	<b>\$ 12,463,037</b>	<b>\$ 92,267</b>	<b>\$ 7,739,794</b>	<b>\$ 2,196,865</b>	<b>\$ 4,736,287</b>	<b>\$ 27,228,250</b>
<b>LIABILITIES AND FUND BALANCES</b>						
LIABILITIES:						
WARRANTS PAYABLE	\$ 2,271,661	\$ 43	-	-	\$ 113,681	\$ 2,385,385
ACCRUED LIABILITIES	97,971	-	-	-	-	97,971
OTHER LIABILITIES	23,694	-	-	-	-	23,694
DEFERRED REVENUES	3,638,024	-	-	-	1,269,126	4,907,150
NOTES PAYABLE	-	4,759,646	-	-	-	4,759,646
<b>TOTAL LIABILITIES</b>	<b>6,031,350</b>	<b>4,759,689</b>	<b>-</b>	<b>-</b>	<b>1,382,807</b>	<b>12,173,846</b>
FUND BALANCES:						
RESERVED FOR:						
ENCUMBRANCES AND CONTINUING APPROPRIATIONS	1,453,250	-	-	-	-	1,453,250
PERPETUAL PERMANENT FUNDS	-	-	-	-	254,640	254,640
UNRESERVED						
DESIGNATED FOR SUBSEQUENT YEARS' EXPENDITURES	2,178,549	-	-	-	-	2,178,549
UNDESIGNATED, REPORTED IN:						
GENERAL FUND	2,799,888	-	-	-	-	2,799,888
SPECIAL REVENUE FUNDS	-	-	-	2,196,865	3,027,104	5,223,969
CAPITAL PROJECTS FUNDS	-	(4,667,422)	7,739,794	-	29,301	3,101,673
PERMANENT FUNDS	-	-	-	-	42,435	42,435
<b>TOTAL FUND BALANCES</b>	<b>6,431,687</b>	<b>(4,667,422)</b>	<b>7,739,794</b>	<b>2,196,865</b>	<b>3,353,480</b>	<b>15,054,404</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 12,463,037</b>	<b>\$ 92,267</b>	<b>\$ 7,739,794</b>	<b>\$ 2,196,865</b>	<b>\$ 4,736,287</b>	<b>\$ 27,228,250</b>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FISCAL YEAR ENDED JUNE 30, 2005**

	GENERAL	AHEARN SCHOOL	JOINT PUBLIC SAFETY BUILDING	STABILIZATION	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>						
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 23,832,518	\$ -	\$ -	\$ -	\$ -	\$ 23,832,518
MOTOR VEHICLE AND OTHER EXCISE TAXES	2,378,800	-	-	-	-	2,378,800
PENALTIES AND INTEREST ON TAXES	134,452	-	-	-	-	134,452
INTERGOVERNMENTAL	11,383,330	14,060,354	-	-	2,495,398	27,939,082
CHARGES FOR SERVICES	-	-	-	-	1,955,172	1,955,172
INVESTMENT INCOME	185,640	-	-	46,063	18,807	250,510
CONTRIBUTIONS & DONATIONS	-	-	-	-	112,094	112,094
DEPARTMENTAL AND OTHER	2,809,314	-	-	-	144,764	2,954,078
<b>TOTAL REVENUES</b>	<b>40,724,054</b>	<b>14,060,354</b>	<b>-</b>	<b>46,063</b>	<b>4,726,235</b>	<b>59,556,706</b>
<b>EXPENDITURES:</b>						
CURRENT:						
GENERAL GOVERNMENT	1,540,003	-	-	-	1,969,905	3,509,908
PUBLIC SAFETY	4,512,425	-	499,206	-	(395,972)	4,615,659
EDUCATION	23,176,729	1,843	-	-	2,825,980	26,004,552
PUBLIC WORKS	1,942,236	-	-	-	460,608	2,402,844
HUMAN SERVICES	417,852	-	-	-	19,850	437,702
CULTURE & RECREATION	889,023	-	-	-	290,177	1,179,200
EMPLOYEE BENEFITS	8,694,492	-	-	-	-	8,694,492
STATE & COUNTY ASSESSMENTS	244,913	-	-	-	-	244,913
DEBT SERVICE						
PRINCIPAL	555,000	-	-	-	11,100	566,100
INTEREST	1,015,063	-	-	-	-	1,015,063
<b>TOTAL EXPENDITURES</b>	<b>42,987,736</b>	<b>1,843</b>	<b>499,206</b>	<b>-</b>	<b>5,181,648</b>	<b>48,670,433</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,263,682)</b>	<b>14,058,511</b>	<b>(499,206)</b>	<b>46,063</b>	<b>(455,413)</b>	<b>10,886,273</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
PROCEEDS FROM BONDS AND NOTES	1,194,000	4,380,000	8,239,000	-	-	13,813,000
OPERATING TRANSFERS IN	1,247,802	-	-	-	-	1,247,802
OPERATING TRANSFERS OUT	-	-	-	(40,000)	(666,067)	(706,067)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,441,802</b>	<b>4,380,000</b>	<b>8,239,000</b>	<b>(40,000)</b>	<b>(666,067)</b>	<b>14,354,735</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>178,120</b>	<b>18,438,511</b>	<b>7,739,794</b>	<b>6,063</b>	<b>(1,121,480)</b>	<b>25,241,008</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>6,253,567</b>	<b>(23,105,933)</b>	<b>-</b>	<b>2,190,802</b>	<b>4,474,960</b>	<b>(10,186,604)</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 6,431,687</b>	<b>\$ (4,667,422)</b>	<b>\$ 7,739,794</b>	<b>\$ 2,196,865</b>	<b>\$ 3,353,480</b>	<b>\$ 15,054,404</b>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS  
FISCAL YEAR ENDED JUNE 30, 2005**

<b>TOTAL GOVERNMENTAL FUND BALANCES</b>	\$ 15,054,404
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS	37,645,551
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS	4,907,150
THE ASSETS AND LIABILITIES OF THE INTERNAL SERVICE FUNDS ARE INCLUDED IN THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS	1,679,890
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE	(42,231)
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	(20,236,205)
COMPENSATED ABSENCES	(863,765)
LANDFILL POSTCLOSURE CARE COSTS	<u>(840,000)</u>
NET EFFECT OF REPORTING LONG-TERM LIABILITIES	<u>(21,939,970)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 37,304,794</u></b>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2005**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUND** \$ 25,241,008

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	3,328,166	
DEPRECIATION EXPENSE	<u>(1,463,110)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		1,865,056

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

118,081

THE ISSUANCE OF LONG-TERM DEBT (E.G., BONDS) PROVIDES CURRENT FINANCIAL RESOURCES TO GOVERNMENTAL FUNDS, WHILE THE REPAYMENT OF THE PRINCIPAL OF LONG-TERM DEBT CONSUMES THE FINANCIAL RESOURCES OF GOVERNMENTAL FUNDS. NEITHER TRANSACTION, HOWEVER, HAS ANY EFFECT ON NET ASSETS. ALSO, GOVERNMENTAL FUNDS REPORT THE EFFECT OF ISSUANCE COSTS, PREMIUMS, DISCOUNTS, AND SIMILAR ITEMS WHEN DEBT IS FIRST ISSUED, WHEREAS THESE AMOUNTS ARE DEFERRED AND AMORTIZED IN THE STATEMENT OF ACTIVITIES.

PROCEEDS FROM BONDS AND NOTES	(13,813,000)	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>566,100</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		(13,246,900)

SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED AS EXPENDITURES IN THE GOVERNMENTAL FUNDS.

NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	(39,718)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	35,000	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>(15,972)</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		(20,690)

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

THE NET ACTIVITY OF INTERNAL SERVICE FUNDS IS REPORTED WITH GOVERNMENTAL ACTIVITIES		<u>916,535</u>
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**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 14,873,090**

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE OVER/(UNDER)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<b>REVENUES:</b>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 23,505,820	\$ 23,505,820	\$ 23,832,518	\$ 326,698
MOTOR VEHICLE AND OTHER EXCISE TAXES	2,050,000	2,050,000	2,378,800	328,800
PENALTIES & INTEREST ON TAXES	80,000	80,000	134,452	54,452
INTERGOVERNMENTAL	7,539,893	7,678,739	7,851,436	172,697
INVESTMENT INCOME	50,000	50,000	185,640	135,640
DEPARTMENTAL AND OTHER	2,042,000	2,042,000	2,809,314	767,314
<b>TOTAL REVENUES</b>	<u>35,267,713</u>	<u>35,406,559</u>	<u>37,192,160</u>	<u>1,785,601</u>
<b>EXPENDITURES:</b>				
CURRENT:				
GENERAL GOVERNMENT	1,675,517	1,615,021	1,516,827	98,194
PUBLIC SAFETY	4,534,659	4,925,000	4,886,433	38,567
EDUCATION	23,166,608	23,475,608	23,486,648	(11,040)
PUBLIC WORKS	1,349,443	1,544,443	1,901,688	(357,245)
HUMAN SERVICES	405,122	421,277	414,635	6,642
CULTURE & RECREATION	863,856	863,856	856,044	7,812
EMPLOYEE BENEFITS	5,146,394	5,436,394	5,165,757	270,637
STATE & COUNTY ASSESSMENTS	154,326	154,326	244,913	(90,587)
DEBT SERVICE:				
PRINCIPAL	622,000	613,800	555,000	58,800
INTEREST	759,108	1,021,593	1,015,063	6,530
<b>TOTAL EXPENDITURES</b>	<u>38,677,033</u>	<u>40,071,318</u>	<u>40,043,008</u>	<u>28,310</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,409,320)</u>	<u>(4,664,759)</u>	<u>(2,850,848)</u>	<u>1,813,911</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
BOND PROCEEDS	-	859,000	1,194,000	335,000
OPERATING TRANSFERS IN	970,750	1,225,035	1,247,802	22,767
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>970,750</u>	<u>2,084,035</u>	<u>2,441,802</u>	<u>357,767</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,438,570)	(2,580,724)	(409,046)	2,171,678
<b>BUDGETARY FUND BALANCE, BEGINNING OF YEAR</b>	6,253,567	6,253,567	6,253,567	-
<b>BUDGETARY FUND BALANCE, END OF YEAR</b>	<u>\$ 3,814,997</u>	<u>\$ 3,672,843</u>	<u>\$ 5,844,521</u>	<u>\$ 2,171,678</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2005**

<b>ASSETS</b>	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>				<b>GOVERNMENTAL ACTIVITIES -</b>
	<b>WATER</b>	<b>SEWER</b>	<b>SANITATION</b>	<b>TOTAL</b>	<b>INTERNAL SERVICE FUNDS</b>
<b>CURRENT:</b>					
CASH AND SHORT-TERM INVESTMENTS	\$2,338,981	\$ 610,868	\$ 352,767	\$3,302,616	\$ 1,645,590
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	279,561	752,344	33,575	1,065,480	-
INTERGOVERNMENTAL	52,241	-	-	52,241	-
DEPARTMENTAL AND OTHER	-	-	-	-	292,782
OTHER ASSETS	-	-	-	-	352,400
TOTAL CURRENT ASSETS	<u>2,670,783</u>	<u>1,363,212</u>	<u>386,342</u>	<u>4,420,337</u>	<u>2,290,772</u>
<b>NONCURRENT:</b>					
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>7,032,863</u>	<u>2,001,010</u>	<u>4,225</u>	<u>9,038,098</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>9,703,646</u>	<u>3,364,222</u>	<u>390,567</u>	<u>13,458,435</u>	<u>2,290,772</u>
<b>LIABILITIES</b>					
<b>CURRENT:</b>					
WARRANTS PAYABLE	30,072	1,980	36,275	68,327	-
HEALTH CLAIMS PAYABLE	-	-	-	-	610,882
ACCRUED INTEREST	15,845	3,677	-	19,522	-
BONDS AND NOTES PAYABLE	330,913	111,133	-	442,046	-
COMPENSATED ABSENCES	9,017	1,001	-	10,018	-
TOTAL CURRENT LIABILITIES	<u>385,847</u>	<u>117,791</u>	<u>36,275</u>	<u>539,913</u>	<u>610,882</u>
<b>NONCURRENT:</b>					
BONDS AND NOTES PAYABLE	5,641,840	1,568,925	-	7,210,765	-
COMPENSATED ABSENCES	32,686	3,632	-	36,318	-
TOTAL NONCURRENT LIABILITIES	<u>5,674,526</u>	<u>1,572,557</u>	<u>-</u>	<u>7,247,083</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>6,060,373</u>	<u>1,690,348</u>	<u>36,275</u>	<u>7,786,996</u>	<u>610,882</u>
<b>NET ASSETS</b>					
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	1,551,063	344,799	4,225	1,900,087	-
UNRESTRICTED	<u>2,092,210</u>	<u>1,329,075</u>	<u>350,067</u>	<u>3,771,352</u>	<u>1,679,890</u>
<b>TOTAL NET ASSETS</b>	<u>\$3,643,273</u>	<u>\$1,673,874</u>	<u>\$ 354,292</u>	<u>\$5,671,439</u>	<u>\$ 1,679,890</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 FISCAL YEAR ENDED JUNE 30, 2005**

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL ACTIVITIES -</u>
	<u>WATER</u>	<u>SEWER</u>	<u>SANITATION</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUNDS</u>
<b><u>OPERATING REVENUES:</u></b>					
CHARGES FOR SERVICES	\$ 2,331,575	\$ 739,219	\$ 994,242	\$ 4,065,036	\$ -
EMPLOYER CONTRIBUTIONS	-	-	-	-	3,727,860
EMPLOYEE CONTRIBUTIONS	-	-	-	-	1,634,450
DEPARTMENTAL AND OTHER	95,264	10,321	-	105,585	335,811
TOTAL OPERATING REVENUES	<u>2,426,839</u>	<u>749,540</u>	<u>994,242</u>	<u>4,170,621</u>	<u>5,698,121</u>
<b><u>OPERATING EXPENSES:</u></b>					
GENERAL SERVICES	1,315,276	613,158	871,610	2,800,044	-
DEPRECIATION	206,497	56,339	8,450	271,286	-
EMPLOYEE BENEFITS	-	-	-	-	4,818,440
TOTAL OPERATING EXPENSES	<u>1,521,773</u>	<u>669,497</u>	<u>880,060</u>	<u>3,071,330</u>	<u>4,818,440</u>
OPERATING INCOME (LOSS)	<u>905,066</u>	<u>80,043</u>	<u>114,182</u>	<u>1,099,291</u>	<u>879,681</u>
<b><u>NON-OPERATING REVENUES (EXPENSES):</u></b>					
INTERGOVERNMENTAL	24,781	74,432	-	99,213	-
INVESTMENT INCOME	34,327	13,391	8,041	55,759	36,854
INTEREST EXPENSE	(209,119)	(55,939)	-	(265,058)	-
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	<u>(150,011)</u>	<u>31,884</u>	<u>8,041</u>	<u>(110,086)</u>	<u>36,854</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	755,055	111,927	122,223	989,205	916,535
<b><u>OPERATING TRANSFERS:</u></b>					
OPERATING TRANSFERS OUT	(450,296)	(28,524)	(62,915)	(541,735)	-
CHANGE IN NET ASSETS	304,759	83,403	59,308	447,470	916,535
NET ASSETS AT BEGINNING OF YEAR	3,338,514	1,590,471	294,984	5,223,969	763,355
NET ASSETS AT END OF YEAR	<u>\$ 3,643,273</u>	<u>\$ 1,673,874</u>	<u>\$ 354,292</u>	<u>\$ 5,671,439</u>	<u>\$ 1,679,890</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FISCAL YEAR ENDED JUNE 30, 2005**

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS</u>
	<u>WATER</u>	<u>SEWER</u>	<u>SANITATION</u>	<u>TOTAL</u>	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>					
EMPLOYER CONTRIBUTIONS	\$ -	\$ -	\$ -	\$ -	\$ 3,727,860
EMPLOYEE CONTRIBUTIONS	-	-	-	-	1,634,450
RECEIPTS FROM CUSTOMERS AND USERS	2,396,348	850,581	985,767	4,232,696	43,029
PAYMENTS TO SUPPLIERS	(753,496)	(549,183)	(855,885)	(2,158,564)	(5,173,416)
PAYMENTS TO EMPLOYEES	(559,969)	(63,863)	(48,269)	(672,101)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,082,883</u>	<u>237,535</u>	<u>81,613</u>	<u>1,402,031</u>	<u>231,923</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>					
OPERATING TRANSFERS OUT	(450,296)	(28,524)	(62,915)	(541,735)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(450,296)</u>	<u>(28,524)</u>	<u>(62,915)</u>	<u>(541,735)</u>	<u>-</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>					
PROCEEDS FROM INTERGOVERNMENTAL GRANT	14,701	-	-	14,701	-
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(326,500)	(82,937)	-	(409,437)	-
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(385,207)	(71,721)	-	(456,928)	-
INTEREST EXPENSE	(201,134)	(27,236)	-	(228,370)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(898,140)</u>	<u>(181,894)</u>	<u>-</u>	<u>(1,080,034)</u>	<u>-</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>					
INTEREST RECEIVED	34,327	13,391	8,041	55,759	36,854
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	<u>34,327</u>	<u>13,391</u>	<u>8,041</u>	<u>55,759</u>	<u>36,854</u>
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	(231,226)	40,508	26,739	(163,979)	268,777
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	<u>2,570,207</u>	<u>570,360</u>	<u>326,028</u>	<u>3,466,595</u>	<u>1,376,813</u>
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	<u>\$ 2,338,981</u>	<u>\$ 610,868</u>	<u>\$ 352,767</u>	<u>\$ 3,302,616</u>	<u>\$ 1,645,590</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u></b>					
OPERATING INCOME (LOSS)	\$ 905,066	\$ 80,043	\$ 114,182	\$ 1,099,291	\$ 879,681
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
DEPRECIATION	206,497	56,339	8,450	271,286	-
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(30,490)	101,041	(8,475)	62,076	(292,782)
(INCREASE) DECREASE IN DEPOSIT PREMIUM	-	-	-	-	(72,000)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(656)	(162)	(32,544)	(33,362)	(282,976)
INCREASE (DECREASE) IN HEALTH CLAIMS PAYABLE	2,466	274	-	2,740	-
TOTAL ADJUSTMENTS	<u>177,817</u>	<u>157,492</u>	<u>(32,569)</u>	<u>302,740</u>	<u>(647,758)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,082,883</u>	<u>\$ 237,535</u>	<u>\$ 81,613</u>	<u>\$ 1,402,031</u>	<u>\$ 231,923</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2005**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<b><u>ASSETS</u></b>		
CASH AND SHORT-TERM INVESTMENTS	\$ 20,170	\$ 99,516
INVESTMENTS	36,511	-
DUE FROM VENDORS	-	146,791
	<hr/>	<hr/>
TOTAL ASSETS	56,681	246,307
	<hr/>	<hr/>
<b><u>LIABILITIES</u></b>		
OTHER LIABILITIES	-	246,307
	<hr/>	<hr/>
<b><u>NET ASSETS</u></b>		
HELD IN TRUST FOR OTHER PURPOSES	<u>\$ 56,681</u>	<u>\$ -</u>

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FISCAL YEAR ENDED JUNE 30, 2005**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<b><u>ADDITIONS:</u></b>	
NET INVESTMENT INCOME (LOSS):	
INVESTMENT INCOME	<u>\$ 7,659</u>
 <b><u>DEDUCTIONS:</u></b>	
EDUCATIONAL SCHOLARSHIPS	<u>300</u>
CHANGE IN NET ASSETS	7,359
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>49,322</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 56,681</u></u>

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

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

**A. Reporting Entity**

Primary Government

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

Joint Venture

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

<u>Name</u>	<u>Purpose</u>	<u>Address</u>	<u>Annual Assessment</u>
Southeast Regional Vocational School District	To provide vocational education	250 Foundry Street Easton, MA 02375	\$ 298,198

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, 2005**

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

*Major Fund Criteria*

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

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

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

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

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

Government-Wide Financial Statements

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

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

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

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

*Fund Financial Statements*

***Governmental Fund Financial Statements***

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

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

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

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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The Town reports the following major governmental funds:

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

***Proprietary Fund Financial Statements***

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

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

The following major proprietary funds are reported:

- The *water enterprise fund* is used to account for water activities.
- The *sewer enterprise fund* is used to account for sewer activities.
- The *sanitation enterprise fund* is used to account for the operations of the trash collection activities.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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Additionally, the following proprietary fund type is reported:

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

**Fiduciary Fund Financial Statements**

*Fiduciary fund* financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held by the Town in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund (nonmajor governmental funds), under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

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

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

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

**D. Cash and Investments**

*Government-Wide and Fund Financial Statements*

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

**E. Accounts Receivable**

*Government-Wide and Fund Financial Statements*

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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*Real Estate, Personal Property Taxes and Tax Liens*

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

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

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

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

*Motor Vehicle Excise*

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

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

*Water and Sewer*

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

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

*Departmental and Other*

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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*Intergovernmental*

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

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

**F. Inventories**

*Government-Wide and Fund Financial Statements*

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

**G. Capital Assets**

*Government-Wide and Proprietary Fund Financial Statements*

Capital assets, which include land, vehicles, buildings and improvements, capital improvements, machinery and equipment, and infrastructure (e.g., water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements, and the proprietary fund financial statements. The Town has elected to implement the reporting of its general infrastructure assets of the governmental activities in fiscal year ending June 30, 2007. Current infrastructure additions are being recorded as they occur. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets if material.

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

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

<u>Asset Class</u>	<u>Estimated 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

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

*Governmental Fund Financial Statements*

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

**H. Interfund Receivables and Payables**

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**I. Interfund Transfers**

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**J. Deferred Revenue**

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
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**K. Net Assets and Fund Equity**

*Government-Wide Financial Statements (Net Assets)*

Net assets are classified into three components:

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

Net assets have been “restricted” for the following:

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

*Fund Financial Statements (Fund Balances)*

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

Fund balances have been reserved for the following:

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
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Fund balances have been designated for the following:

- *Subsequent year's expenditures* represents amounts appropriated for the fiscal year 2006 operating budget.
- b. *Undesignated fund balances* – all other fund balances that do not meet the definition of “reserved” or “designated.”

**L. Long-term debt**

*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

**M. Investment Income**

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

**N. Compensated Absences**

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

*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2005 is recorded in the governmental fund financial statement.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
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**O. Post Retirement Benefits**

*Government-Wide and Fund Financial Statements*

In addition to providing pension benefits, health and life insurance coverage is provided for retired employees and their survivors in accordance with, Chapter 32B, of Massachusetts General Laws, under various contributory plans. The cost of providing health and life insurance is recognized by recording the employer's 50% or 70% (depending on the coverage selected) share of insurance premiums in the general fund in the fiscal year paid. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims. For the fiscal year ended June 30, 2005, this expense/expenditure totaled approximately \$851,683. There were approximately 297 participants eligible to receive benefits at June 30, 2005.

**P. Use of Estimates**

*Government-Wide and Fund Financial Statements*

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

**Q. Total Column**

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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

*A. Budgetary Basis of Accounting*

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

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

Original and supplemental appropriations are enacted upon by a Town Meeting vote. Management may not amend the budget without seeking the approval of the governing body. The Town's Finance Committee can legally transfer funds from its reserve fund to other appropriations within the budget without seeking Town Meeting approvals. The original fiscal year 2005 approved budget authorized \$38,644,816 in current year appropriations and other amounts to be raised and \$32,217 in carryover articles carried over from previous fiscal years. Supplemental appropriations of \$1,394,285 were approved at one Special Town Meeting for fiscal year 2005.

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, 2005, is presented below:

Net change in fund balance - budgetary basis	\$ (409,046)
Basis of accounting differences:	
Increase in revenue for on-behalf payments - MTRS	3,531,893
Increase in expenditures for on-behalf payments - MTRS	(3,531,893)
Adjustment for Current Year Encumbrances	1,131,559
Adjustment for Current Year Articles	9,829
Adjustment for expenditures from prior year encumbrances	<u>(554,222)</u>
Net change in fund balance - GAAP basis	<u><u>\$ 178,120</u></u>

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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*C. Excess of Expenditures over Appropriations*

For the fiscal year ended June 30, 2005, actual expenditures exceeded appropriations for snow and ice, and the gasoline clearing account. These over-expenditures will be funded by available funds during fiscal year 2006.

*D. Deficit Fund Balances*

Several individual fund deficits exist within the special revenue and capital projects funds. These individual deficits will be eliminated through subsequent fiscal year budget transfers, grants and proceeds of long-term debt during fiscal year 2006.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

In fiscal 2005, the Town adopted Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*.

*a. Deposits*

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.

*i. Custodial Credit Risk*

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. The Town carries deposits that are fully insured by FDIC insurance, DIF insurance or collateralized with securities held by the Town or the Town's agent in the Town's name. The Town also carries deposits that are not collateralized and are uninsured. As of June 30, 2005, the bank balances of uninsured and uncollateralized deposits are \$27,395,520.

*b. Investments*

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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The composition of the Town's bank recorded deposits and investments fluctuates depending primarily on the timing of property tax receipts, proceeds from borrowings, collections of state and federal aid, and capital outlays throughout the year.

*i) Interest Rate Risk*

The following is a listing of the primary government's fixed income investments and related maturity schedule (in years) as of June 30, 2005:

Investment type	Fair value	Less than 1
Money Markets	\$ 19,769,403	\$ 19,769,403
Certificates of Deposit	2,768,237	2,768,237
	\$ 22,537,640	\$ 22,537,640

The Town's guidelines do not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*ii) Credit Risk*

The Town's fixed income investments as of June 30, 2005 were rated by Moody's and/or equivalent national rating organization and the ratings are presented below using the Moody's rating scale:

Investment Type	Fair Value	Not	Rated
Money Markets	\$ 19,769,403	\$	19,769,403
Certificates of Deposit	2,768,237	\$	2,768,237
	\$ 22,537,640	\$	22,537,640

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 4 – RECEIVABLES**

The receivables at June 30, 2005 for the Town’s individual major and nonmajor governmental funds internal service fund, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 267,903	\$ (30,730)	\$ 237,173
Tax liens	650,495	-	650,495
Motor vehicle excise taxes	320,602	(120,523)	200,079
Departmental and other	716,559	(132,458)	584,101
Intergovernmental	3,618,956	-	3,618,956
Due from vendors	146,791	-	146,791
	<u>\$ 5,721,306</u>	<u>\$ (283,711)</u>	<u>\$ 5,437,595</u>

The receivables at June 30, 2005, for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water</i>			
User fees	\$ 279,561	\$ -	\$ 279,561
Intergovernmental	52,241	-	52,241
<i>Sewer</i>			
User fees	752,344	-	752,344
<i>Sanitation</i>			
User fees	33,575	-	33,575
Total	<u>\$1,117,721</u>	<u>\$ -</u>	<u>\$1,117,721</u>

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

Deferred Revenue Analysis

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Receivable Type:	General Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 237,173	\$ -	\$ 237,173
Tax Liens	650,495	-	650,495
Motor vehicle excise taxes	200,079	-	200,079
Departmental and other	-	267,405	267,405
Intergovernmental	<u>2,550,277</u>	<u>1,001,721</u>	<u>3,551,998</u>
Total	<u>\$3,638,024</u>	<u>\$ 1,269,126</u>	<u>\$4,907,150</u>

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

<u>Governmental Activities:</u>	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	\$ 4,990,825	\$ 1,470,700	\$ -	\$ 6,461,525
Construction in progress	-	499,206	-	499,206
Total capital assets not being depreciated	<u>4,990,825</u>	<u>1,969,906</u>	<u>-</u>	<u>6,960,731</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements	45,685,324	180,775	-	45,866,099
Capital improvements (other than buildings)	114,316	-	-	114,316
Machinery and equipment	550,619	56,724	-	607,343
Vehicles	4,759,204	762,674	-	5,521,878
Infrastructure	-	358,087	-	358,087
Total capital assets being depreciated	<u>51,109,463</u>	<u>1,358,260</u>	<u>-</u>	<u>52,467,723</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	(16,556,339)	(1,093,391)	-	(17,649,730)
Capital improvements (other than buildings)	(29,086)	(7,595)	-	(36,681)
Machinery and equipment	(538,193)	(14,623)	-	(552,816)
Vehicles	(3,196,175)	(343,026)	-	(3,539,201)
Infrastructure	-	(4,475)	-	(4,475)
Total accumulated depreciation	<u>(20,319,793)</u>	<u>(1,463,110)</u>	<u>-</u>	<u>(21,782,903)</u>
Total capital assets being depreciated, net	<u>30,789,670</u>	<u>(104,850)</u>	<u>-</u>	<u>30,684,820</u>
Total governmental activities capital assets, net	<u>\$ 35,780,495</u>	<u>\$ 1,865,056</u>	<u>\$ -</u>	<u>\$ 37,645,551</u>

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
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<b>Business-Type Activities:</b>	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	\$ 692,282	\$ -	\$ -	\$ 692,282
Construction in progress	-	303,128	-	303,128
Total capital assets not being depreciated	<u>692,282</u>	<u>303,128</u>	<u>-</u>	<u>995,410</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements	655,300	-	-	655,300
Machinery and equipment	398,756	-	-	398,756
Vehicles	30,000	25,000	-	55,000
Infrastructure	11,083,372	128,800	-	11,212,172
Total capital assets being depreciated	<u>12,167,428</u>	<u>153,800</u>	<u>-</u>	<u>12,321,228</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	(655,300)	-	-	(655,300)
Machinery and equipment	(353,013)	(11,931)	-	(364,944)
Vehicles	(4,500)	(4,250)	-	(8,750)
Infrastructure	(2,994,441)	(255,105)	-	(3,249,546)
Total accumulated depreciation	<u>(4,007,254)</u>	<u>(271,286)</u>	<u>-</u>	<u>(4,278,540)</u>
Total capital assets being depreciated, net	<u>8,160,174</u>	<u>(117,486)</u>	<u>-</u>	<u>8,042,688</u>
Total business-type activities capital assets, net	<u>\$ 8,852,456</u>	<u>\$ 185,642</u>	<u>\$ -</u>	<u>\$ 9,038,098</u>

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General government	\$ 9,613
Public safety	152,738
Education	1,172,726
Public works	93,175
Human services	17,125
Culture and recreation	17,733
Total depreciation expense - governmental activities	\$ 1,463,110
<b>Business-Type Activities:</b>	
Water	\$ 206,497
Sewer	56,339
Sanitation	8,450
Total depreciation expense - business-type activities	\$ 271,286

**Construction Commitments**

The Town has various active construction projects as of June 30, 2005. At year end the Town's commitments are as follows:

Project	Spent to Date	Remaining Commitment
Street Improvements	\$ 1,404,836	\$ 822,015
Joint Public Safety Building Project	499,206	568,648
Witch Pond Well Project	303,128	590,872
Total	\$ 2,207,170	\$ 1,981,535

The Street Improvements projects are being funded by Massachusetts Highway grants, commitments for the Joint Public Safety Building Project are being funded primarily through debt exclusion, and the commitments for the Witch Pond Well project are being funded by available funds in the Water Enterprise Fund.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 6 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2005, are summarized as follows:

	Operating Transfers In:	
Operating Transfers Out:	General Fund	Total
Nonmajor Governmental Funds	\$ 666,067	\$ 666,067 (1)
Stabilization Fund	40,000	40,000 (1)
Water Enterprise Fund	450,296	450,296 (2)
Sewer Enterprise Fund	28,524	28,524 (2)
Sanitation Enterprise Fund	62,915	62,915 (2)
Total	\$1,247,802	\$1,247,802

- (1) Represents budgeted transfer to supplement the operating budget
- (2) Represents budgeted transfers from the various enterprise funds to the general fund

**NOTE 7 – SHORT-TERM FINANCING**

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

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

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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The following is a summary of changes in short-term debt for the year ended June 30, 2005:

<u>Type</u>	<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2004</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2005</u>
BAN	School Construction - Ahern	2.75	6/16/2005	\$ 23,200,000	\$ -	\$ (23,200,000)	\$ -
BAN	Fire Equipment	2.75	6/16/2005	335,000	-	(335,000)	-
BAN	School Construction - Ahern	2.75	8/16/2005	-	4,759,646	-	4,759,646
	Total Governmental Funds			<u>23,535,000</u>	<u>4,759,646</u>	<u>(23,535,000)</u>	<u>4,759,646</u>
BAN	Sewer Projects	2.75	6/16/2005	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
	Total Sewer Enterprise Funds			<u>200,000</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
	Total			<u>\$ 23,735,000</u>	<u>\$ 4,759,646</u>	<u>\$ (23,735,000)</u>	<u>\$ 4,759,646</u>

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 8 – LONG-TERM DEBT**

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

The following is a summary of the changes in long-term debt for the year ended June 30, 2005:

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

Project	Interest Rate (%)	Outstanding at June 30, 2004	Issued	Redeemed	Outstanding at June 30, 2005
School	Var.	\$ 1,715,000	\$ -	\$ 245,000	\$ 1,470,000
Title V	Var.	144,305	-	11,100	133,205
Landfill Closure	5.49	1,790,000	-	115,000	1,675,000
Senoir Center	5.38	445,000	-	35,000	410,000
Land Acquisition	5.13	70,000	-	10,000	60,000
School	3.55	1,325,000	-	75,000	1,250,000
Land Acquisition	4.75	1,500,000	-	75,000	1,425,000
School	3.84	-	4,689,000	-	4,689,000
Public Safety	3.84	-	8,929,000	-	8,929,000
Public Works	3.84	-	195,000	-	195,000
<b>Total</b>		<b>\$ 6,989,305</b>	<b>\$ 13,813,000</b>	<b>\$ 566,100</b>	<b>\$ 20,236,205</b>

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2005 are as follows:

Fiscal Year	Principal	Interest	Total
2006	\$ 1,339,100	\$ 820,127	\$ 2,159,227
2007	1,336,100	762,371	2,098,471
2008	1,336,100	712,409	2,048,509
2009	1,336,101	662,196	1,998,297
2010	1,336,101	609,737	1,945,838
2011-2015	5,430,502	2,340,887	7,771,389
2016-2020	4,542,201	1,300,507	5,842,708
2021-2025	3,580,000	418,606	3,998,606
<b>Total</b>	<b>\$ 20,236,205</b>	<b>\$ 7,626,840</b>	<b>\$ 27,863,045</b>

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**Bonds and Notes Payable Schedule - Water and Sewer Enterprise Fund**

Project	Interest Rate (%)	Outstanding at June 30, 2004	Issued	Redeemed	Outstanding at June 30, 2005
Sewer	Var.	\$ 358,711	\$ -	\$ 23,043	\$ 335,668
Sewer	Var.	81,125	-	4,889	76,236
Sewer	Var.	1,019,686	-	51,532	968,154
Sewer	5.10	120,000	-	20,000	100,000
Sewer	3.86	-	200,000	-	200,000
Land Acquisition - Water	2.77	90,000	-	10,000	80,000
Water Reuse	3.63	2,180,000	-	115,000	2,065,000
Water	3.64	3,420,000	-	180,000	3,240,000
Water	Var.	564,315	-	23,892	540,423
Water	Var.	49,111	-	1,781	47,330
<b>Total</b>		<u><u>\$ 7,882,948</u></u>	<u><u>\$ 200,000</u></u>	<u><u>\$ 430,137</u></u>	<u><u>\$ 7,652,811</u></u>

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2005 are as follows:

Fiscal Year	Principal	Interest	Total
2006	\$ 442,046	\$ 297,489	\$ 739,535
2007	444,522	283,064	727,586
2008	447,288	269,801	717,089
2009	449,896	253,111	703,007
2010	452,866	238,352	691,218
2011-2015	2,196,697	915,727	3,112,424
2016-2020	2,167,496	451,523	2,619,019
2021-2025	<u>1,052,000</u>	<u>71,299</u>	<u>1,123,299</u>
<b>Total</b>	<u><u>\$ 7,652,811</u></u>	<u><u>\$ 2,780,366</u></u>	<u><u>\$ 10,433,177</u></u>

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**Loans Authorized and Unissued**

As of June 30, 2005, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Conservation - Land Acquisition	5/13/1986	\$ 130,000
Water and Land Acquisition	5/14/1990	70,000
Water - Witch Pond	5/11/1998	4,300,000
Ahern Middle School Renovation	2/1/1999	167,073
Public Safety Building	3/8/2004	2,199,462
Capital Outlay	5/9/2004	301,000
Capital Outlay	5/10/2005	<u>719,000</u>
Total		<u>\$ 7,886,535</u>

**School Building Assistance Bureau Reimbursements**

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

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

The Town has been approved for a 68% percent state school construction grant through the School Construction Assistance Bureau (SBAB) to cover eligible project costs, including debt service associated with the financing of these projects, subject to annual appropriation by the state legislature. The Town received \$166,260 in FY 2005 from the SBAB for completed school construction projects.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
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**Changes in Long-term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2005:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds and notes payable	\$ 6,989,305	\$ 13,813,000	\$ (566,100)	\$ 20,236,205	\$ 1,339,100
Compensated absences	824,047	39,718	-	863,765	293,838
Landfill postclosure care costs	875,000	-	(35,000)	840,000	35,000
Total governmental activity long-term liabilities	<u>\$ 8,688,352</u>	<u>\$ 13,852,718</u>	<u>\$ (601,100)</u>	<u>\$ 21,939,970</u>	<u>\$ 1,667,938</u>
<u>Business-Type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds and notes payable	\$ 7,882,948	\$ 200,000	\$ (430,137)	\$ 7,652,811	\$ 442,046
Compensated absences	43,597	3,039	-	46,636	10,018
Total business-type activity long-term liabilities	<u>\$ 7,926,545</u>	<u>\$ 203,039</u>	<u>\$ (430,137)</u>	<u>\$ 7,699,447</u>	<u>\$ 452,064</u>

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

**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, 2005:

<u>Agency</u>	<u>Total Long- Term Debt Outstanding</u>	<u>Town's Estimated Share</u>	<u>Town's Indirect Debt</u>
Norfolk County	<u>\$ 1,400,000</u>	2.098%	<u>\$ 29,372</u>

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
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***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, 2005 the total amount of conduit debt outstanding was \$62,160,000.

**NOTE 9 – STABILIZATION FUND**

At June 30, 2005, \$2,196,865 has been set aside in the stabilization fund, which is classified as a major fund in the governmental funds financial statements. The stabilization fund balance can be used for general and/or capital purposes as approved by Town Meeting vote.

**NOTE 10 – RISK FINANCING**

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

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

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

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2005.

The Town has a variety of self-insured contributory health care options. There are 610 employees and retirees who participate in the Town's health care programs. Stop loss insurance is carried on all self-insured health care claims in excess of \$75,000 individually. The Town contributes 50% of the costs for the full indemnity plan and supplementary Medicare insurance. The Town contributes 70% of the costs for managed care costs. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
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The Town's health insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. Liabilities for self-insured claims are reported when it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not recorded. As of June 30, 2005 and June 30, 2004, the only such liabilities are those related to the Town's self-insured health care program. The Town established a liability based on historical trends for the previous fiscal years. Changes in the self-insured liability account in fiscal year 2005 and 2004 were as follows:

	Healthcare	
	2005	2004
Liability at beginning of fiscal year	\$ 600,000	\$ 712,817
Claims incurred for current fiscal year and		
Changes in provisions for prior year	4,330,384	3,847,328
Claims payments for current fiscal year	(4,319,502)	(3,960,145)
Liability at end of fiscal year	\$ 610,882	\$ 600,000

**NOTE 11 – PENSION PLAN**

*A. Plan Descriptions*

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

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

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS**  
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*B. Funding Policies*

Norfolk County Contributory Retirement System

Plan members are required to contribute to the "System" at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the "System", its share of the remaining system-wide, actuarially determined, contribution plus administration costs, which are apportioned among the employers, based on active covered payroll. The Commonwealth of Massachusetts reimburses the "system" for a portion of the benefit payments for the cost of living increases. The contributions to the "System" for years ended June 30, 2005, 2004, and 2003 were \$1,250,361, \$1,130,437, and \$1,103,203, respectively, which were equal to its required contributions for each of these years.

Massachusetts Teachers' Retirement System

Plan members (at varying rates of annual covered compensation) and the Commonwealth of Massachusetts fund contributions to the MTRS. The Commonwealth of Massachusetts contributed "on-behalf" payments to the MTRS totaling \$3,531,893 for fiscal year 2005. In accordance with GASB Statement No. 24, these on-behalf" payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2005, 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 (24 years remaining), and the estimated liability has been recorded in the Statement of Net Assets, Governmental Activities. The \$840,000 reported as landfill post-closure liability at June 30, 2005 is based on what it would cost to perform all post-closure care at June 30, 2005. 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, 2005, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2005.