

TOWN OF FOXBOROUGH, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2011

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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, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Foxborough, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Foxborough, Massachusetts, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in **Note 13** to the financial statements, the Town of Foxborough, Massachusetts adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2012, on our consideration of the Town of Foxborough, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages **3** through **12**, and other post employment benefits information: schedules of funding progress and employer contributions on pages **59** through **60** 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

August 2, 2012

Management's Discussion and Analysis

As management of the Town of Foxborough (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011. We encourage readers to consider this information in addition to the statements and notes.

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

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$69.2 million (net assets). Of this amount, \$8.3 million, or 12.0%, is considered unrestricted (unrestricted net assets).
- The unrestricted net assets of the Town's governmental activities are \$1.23 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 \$7.09 million and may be used to meet the ongoing obligations of the Town's water, sewer, and sanitation business-type activities.
- The government's total net assets increased by \$4.96 million, or 7.7%, in fiscal 2011. Within this total, net assets of governmental activities increased by \$3.44 million, a 6.4% increase from fiscal 2010. Also, net assets of business-type activities increased by \$1.52 million or 14.5%, from 2010.
- At June 30, 2011, the Town's governmental funds had a combined ending fund balance of \$17.38 million. The combined governmental funds balance decreased by \$5.35 million, or 23.5%, from the prior year's ending fund balance. A total of \$5.56 million, or 32% of the \$17.38 million fund balance is considered unassigned at June 30, 2011.
- The Town's general fund reported a fund balance of \$10.0 million at the end of fiscal 2011. The unassigned fund balance for the general fund was \$5.8 million, or 10.6%, of total FY '11 general fund budgetary expenditures. This represents a \$1.3 million decrease in total general fund balance for the year. A total of \$2.71 million of the assigned fund balance was designated for funding the fiscal year 2012 budget.
- The total cost of all Town services on a full accrual basis for fiscal 2011 was \$72.09 million, \$67.6 million of which was for governmental services, and \$4.5 million of which was for business-type activities, an overall 0.25% decrease compared to fiscal 2010.
- The Town's total bonded debt decreased by a net of \$2.66 million or 7% during the year. The decrease was solely as a result of \$2.66 million in scheduled principal redemptions. No new debt was added in FY '11.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Private purpose trust funds, post employment benefits trust fund, and agency funds are reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the captions “Private Purpose Trust Funds”, “Post Employment Benefits Trust”, and “Agency Funds”, respectively. The Post Employment Benefits Trust fund was established to hold the assets that will fund the long term liability associated with town retirees’ health benefits.

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

- *Nonspendable fund balance*—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- *Restricted fund balance*—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed fund balance*—amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- *Assigned fund balance*—amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts are reported only in the general fund, unless there is a deficit in another fund.

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 \$69.2 million at the close of fiscal year 2011. The Town is able to report positive balances in all categories of net assets, both for the government as a whole, and for each of its separate governmental and business-type activities.

A key component of the Town's net assets are its *unrestricted net assets* totaling \$8.3 million, or 12.0%, of net assets, which may be used to meet the government's ongoing obligations to its citizens and creditors.

The Town's investment in capital assets (e.g., land, roads, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets, is \$55.2 million, or 79.7%, of net assets. The Town uses these capital assets to provide services to citizens; consequently, these assets **are not** available for future spending. Although the investment in the Town's capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets of Governmental activities increased by \$3.44 million, a 6.4% increase from fiscal 2010. Net assets of business-type activities increased by \$1.52 million or 14.5%, from 2010. Total Town net assets increased by \$4.96 million, or 7.7%.

The increase in Governmental activities net assets is attributable primarily to the net addition of \$11.55 million in capital assets, less \$2.74 million of net new depreciation, plus the \$2.04 million amortization of related debt, and less \$4.4 million of bond proceeds expended on major capital assets, yielding a \$6.42 million increase to Capital Assets Net of Related Debt. Also, a \$2.71 million increase to the Net Other Post Employment Benefits (OPEB) Obligation liability was recorded for FY 2011, which reflects the latest actuarial update for the OPEB liability. The balance of the change in net assets, a \$276 thousand decrease, is associated with several other minor net changes in assets and liabilities.

Net assets of business-type activities increased by \$1.52 million as a result of the following: operating revenue exceeded expenses and depreciation by \$2.34 million; \$80.4 thousand was received via intergovernmental grants; \$24.3 thousand was earned in interest; interest expense was \$293.7 thousand; and transfers out for costs incurred in general fund were \$623.4 thousand.

There was an increase of \$1.59 million, or 19.4%, in net assets reported in connection with the water business-type activities. There was an increase of \$12.2 thousand, or 0.7%, and an \$81.6 thousand decrease, or 17.4%, in net assets in connection with the sewer and sanitation business-type activities, respectively.

An additional portion of the Governmental activities total net assets totaling \$5.72 million, or 10.0%, 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 2011	FY 2010	Increase (Decrease)	FY 2011	FY 2010	Increase (Decrease)	FY 2011	FY 2010	Increase (Decrease)
Assets:									
Current Assets	\$25,938,060	\$31,396,037	\$ (5,457,977)	\$ 7,156,539	\$ 6,459,093	\$ 697,446	\$33,094,599	\$37,855,130	\$ (4,760,531)
Noncurrent Assets (excluding capital)	-	-	-	-	-	-	-	-	-
Capital Assets	73,034,901	64,214,999	8,819,902	14,371,169	13,990,398	380,771	87,406,070	78,205,397	9,200,673
Total Assets	98,972,961	95,611,036	3,361,925	21,527,708	20,449,491	1,078,217	120,500,669	116,060,527	4,440,142
Liabilities:									
Current Liabilities (excluding debt)	4,842,031	5,798,683	(956,652)	322,769	198,151	124,618	5,164,800	5,996,834	(832,034)
Noncurrent Liabilities (excluding debt)	10,648,457	8,023,493	2,624,964	282,041	227,845	54,196	10,930,498	8,251,338	2,679,160
Current Debt	2,336,206	2,294,000	42,206	622,429	613,552	8,877	2,958,635	2,907,552	51,083
Noncurrent Debt	23,950,502	25,736,603	(1,786,101)	8,268,190	8,902,863	(634,673)	32,218,692	34,639,466	(2,420,774)
Total Liabilities	41,777,196	41,852,779	(75,583)	9,495,429	9,942,411	(446,982)	51,272,625	51,795,190	(522,565)
Net Assets:									
Capital Assets Net of Related Debt	50,236,610	43,812,810	6,423,800	4,942,857	3,936,291	1,006,567	55,179,467	47,749,101	7,430,367
Restricted	5,725,631	5,086,668	638,963	-	-	-	5,725,631	5,086,668	638,963
Unrestricted	1,233,524	4,858,779	(3,625,255)	7,089,422	6,570,789	518,632	8,322,946	11,429,568	(3,106,623)
Total Net Assets	\$57,195,765	\$53,758,257	\$ 3,437,508	\$12,032,279	\$10,507,080	\$ 1,525,199	\$69,228,044	\$64,265,337	\$ 4,962,707
Revenues									
<i>Program Revenues:</i>									
Charges for Services	\$ 6,032,202	\$ 6,217,552	\$ (185,350)	\$ 6,437,198	\$ 5,468,990	\$ 968,208	\$12,469,400	\$11,686,542	\$ 782,858
Operating Grants and Contributions	16,843,453	16,910,203	(66,750)	156,126	422,678	(266,552)	16,999,579	17,332,881	(333,302)
Capital Grants and Contributions	6,385,219	1,435,679	4,949,540	80,431	86,034	(5,603)	6,465,650	1,521,713	4,943,937
<i>General Revenues:</i>									
Real Estate and Personal Property Taxes	33,614,169	32,076,118	1,538,051	-	-	-	33,614,169	32,076,118	1,538,051
Tax Liens	108,090	84,799	23,291	-	-	-	108,090	84,799	23,291
Motor Vehicle and Other Excise Taxes	2,168,861	2,026,084	142,777	-	-	-	2,168,861	2,026,084	142,777
Payments in lieu of taxes	2,375,260	2,512,898	(137,638)	-	-	-	2,375,260	2,512,898	(137,638)
Hotel/Motel Tax	938,782	649,973	288,809	-	-	-	938,782	649,973	288,809
Penalties and Interest on Taxes	280,778	314,304	(33,526)	-	-	-	280,778	314,304	(33,526)
Nonrestricted Grants and Contributions	1,453,615	1,434,385	19,230	-	-	-	1,453,615	1,434,385	19,230
Unrestricted Investment Income	97,919	246,705	(148,786)	-	-	-	97,919	246,705	(148,786)
Other Revenues	77,791	83,020	(5,229)	-	-	-	77,791	83,020	(5,229)
Total Revenues	70,376,139	63,991,720	6,384,419	6,673,755	5,977,702	696,053	77,049,894	69,969,422	7,080,472
Expenses:									
General Government	1,941,925	1,935,108	6,817	-	-	-	1,941,925	1,935,108	6,817
Public Safety	7,466,800	7,146,711	320,089	-	-	-	7,466,800	7,146,711	320,089
Education	34,068,864	32,576,835	1,492,029	-	-	-	34,068,864	32,576,835	1,492,029
Public Works	2,636,367	2,120,049	516,318	-	-	-	2,636,367	2,120,049	516,318
Human Services	883,095	763,748	119,347	-	-	-	883,095	763,748	119,347
Culture and Recreation	1,294,853	1,222,698	72,155	-	-	-	1,294,853	1,222,698	72,155
Employee Benefits	17,932,041	20,850,559	(2,918,518)	-	-	-	17,932,041	20,850,559	(2,918,518)
State and County Assessments	305,786	302,188	3,598	-	-	-	305,786	302,188	3,598
Interest	1,032,302	1,023,642	8,660	-	-	-	1,032,302	1,023,642	8,660
Water	-	-	-	2,599,429	2,432,006	167,423	2,599,429	2,432,006	167,423
Sewer	-	-	-	992,375	960,045	32,330	992,375	960,045	32,330
Sanitation	-	-	-	933,350	933,090	260	933,350	933,090	260
Total Expenses	67,562,033	67,941,538	(379,505)	4,525,154	4,325,141	200,013	72,087,187	72,266,679	(179,492)
Transfers	623,402	583,871	39,531	(623,402)	(583,871)	(39,531)	-	-	-
Change in Net Assets	3,437,508	(3,365,947)	6,803,455	1,525,199	1,068,690	456,509	4,962,707	(2,297,257)	7,259,964
Net Assets - Beginning	53,758,257	57,124,204	(3,365,947)	10,507,080	9,438,390	1,068,690	64,265,337	66,562,594	(2,297,257)
Net Assets - Ending	\$57,195,765	\$53,758,257	\$ 3,437,508	\$12,032,279	\$10,507,080	\$ 1,525,199	\$69,228,044	\$64,265,337	\$ 4,962,707

Financial analysis of the Government's Funds

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

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

As of the end of the fiscal year 2011, governmental funds reported combined ending fund balances of \$17.38 million, a \$5.35 million decrease from the prior year's ending fund balance. The net decrease reflects Governmental fund balance reduced due to general fund expenditures being \$1.3 million more than combined general fund revenues and operating transfers in. Also, a net of \$4.38 million in bond proceeds was expended in association with the substantial completion of the High School renovation capital project. In addition a net of \$334.9 thousand was received in revenue in excess of expenditures across several non-major governmental fund accounts.

The General fund is the primary operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5.8 million, while total fund balance stood at \$10.0 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund budgetary expenditures. Unassigned fund balance represents 10.6% of total general fund budgetary expenditures, while total fund balance represents 18.3% of that same amount.

General fund budgetary revenues increased by 4.35% or \$2.15 million in FY 2011, due primarily to growth in property taxes associated voted debt exclusions and allowable annual increases as per proposition 2 ½. Conversely, general fund budgetary expenditures increased by 2.2% or \$1.18 million driven primarily by increases in education (\$1.27 million), and debt service (\$575 thousand), along with significant year-over-year spending reductions in public safety (\$459 thousand), employee benefits costs (\$425 thousand) and a net \$217 thousand in increases in all other departments. After accounting for other financing sources and uses, the budgetary fund balance of the general fund decreased by \$1.3 million to \$6.87 million. This result is according to management's conservative planning and budgeting and the prudent use of unassigned fund balance to maintain the Town's services and financial position.

The High School Renovation Fund balance decreased by a net of \$4.38 million to end FY '11 at \$2.94 million. The FY '11 balance reflects the receipt of \$3.9 million in continuing Massachusetts School Building Authority project cost reimbursements, plus the opening fund balance of \$7.3 million less \$8.3 million expended in FY '11 capital project costs.

The Stabilization funds, which are now included within the General Fund as per GASB 54, has accumulated balances of \$3.15 million, which represents 5.75% of FY 2011 general fund budgetary expenditures. \$2.6 million of these funds is considered "Unassigned" and \$547 thousand is considered "Committed". However, all of these funds can be used for general or capital purposes upon Town Meeting approval.

All other Non-Major Governmental Fund balances increased in total by \$335 thousand to \$4.42 million as a result of \$8.42 million received in revenues less \$6.89 million in expenditures and a net of \$1.2 million in transfers out. \$526.8 thousand of the transfer amount was the normal funding of operating and capital expenses in the general fund from the ambulance receipts account. In addition, \$674.2 thousand was transferred out of to enable a funding contribution in that amount to the OPEB Trust Fund account.

General Fund Budget Highlights

Actual FY 2011 general fund revenues exceeded budgeted revenues by \$1.07 million, primarily driven by conservatively estimated local receipts and despite slightly less than 100% property tax collection performance (\$316.5 thousand less than budget) and investment income finishing \$19.5 thousand less than plan due to a continued trend of falling interest rates. General fund expenses were \$442 thousand less than plan in total due to management's continued focus on living within the means of the municipality's revenues. This is net of a legal snow & ice removal deficit of \$303 thousand. Excepting the extraordinary winter and resulting expense, management's continued, and well practiced, disciplined approach to spending sustains the Town's service levels in a challenging economic environment. Operating transfers in were essentially on plan at \$1.82 million. The net result was a decrease to FYE 2011 budgetary fund balance of \$1.33 million.

Capital Asset and Debt Administration

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

The Town's ownership of, or investment in, capital assets for governmental and business type activities, as summarized below, as of June 30, 2011, amounts to \$87.4 million, net of accumulated depreciation. The value in capital assets includes land, buildings, machinery, equipment, software, vehicles, water, sewer, and roadway infrastructure.

The governmental activities capital assets were increased by \$11.9 million and reduced by \$375 thousand in asset retirements and a net of \$2.74 million in depreciation during fiscal 2011, for a net \$8.82 million increase. The increases were primarily due to \$8.29 million of construction related to the High School renovation, \$1.54 million of roadway and sidewalk infrastructure projects and street acceptances, \$646 thousand in initial construction related to the Library renovation and expansion project, \$572 thousand in various public safety and highway department vehicles net of retirements, \$280 thousand in school parking lot paving, \$148 thousand in computer, network and copying equipment, and a net of \$77 thousand in assorted departmental equipment.

Business-type activities capital assets were increased by \$890 thousand in investments and reduced by \$509 thousand in depreciation for a net increase of \$381 thousand. The increase was primarily due to \$471 thousand of investment in the Water enterprise fund related to the construction of the Oak Street water treatment plant. The balance of the asset additions were associated with various Water department related equipment (\$372 thousand) and vehicles (\$46 thousand).

In summary, total increases net of depreciation to town wide capital assets are \$9.2 million.

Capital Assets (Net of Depreciation)									
	Governmental Activities			Business-type Activities			Total Primary Government		
	FY 2011	FY 2010	Increase (Decrease)	FY 2011	FY 2010	Increase (Decrease)	FY 2011	FY 2010	Increase (Decrease)
Land	\$ 6,461,525	\$ 6,461,525	-	\$ 692,282	\$ 692,282	-	\$ 7,153,807	\$ 7,153,807	-
Buildings	49,639,174	42,704,770	6,934,404	-	-	-	49,639,174	42,704,770	6,934,404
Capital Improvements (other than buildings)	107,068	118,253	(11,185)	-	-	-	107,068	118,253	(11,185)
Machinery, Equipment & Software	862,595	920,265	(57,670)	700,391	399,186	301,205	1,562,986	1,319,451	243,535
Software	162,862	270,614	(107,752)	-	-	-	162,862	270,614	(107,752)
Vehicles	3,147,882	2,789,100	358,782	86,912	76,171	10,741	3,234,794	2,865,271	369,523
Infrastructure	12,007,996	10,950,472	1,057,524	12,420,568	12,822,758	(402,190)	24,428,564	23,773,230	655,334
Construction in Progress	645,799	-	645,799	471,016	-	471,016	1,116,815	-	1,116,815
Total Capital Assets	\$73,034,901	\$64,214,999	\$ 8,819,902	\$14,371,169	\$13,990,398	\$ 380,771	\$87,406,070	\$78,205,397	\$ 9,200,673

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, 2011, totaled \$34.6 million. 93.7%, or \$24.1 million, of the \$25.7 million in governmental activity debt is excluded from the limits of proposition 2 ½. Business-type activities have debt of \$8.9 million that is fully supported by their respective utility rates. Total debt consists of the following:

Outstanding Debt at Year End

Governmental Activities	Outstanding June 30, 2011	Outstanding June 30, 2010	Increase (Decrease)
School - High School	\$ 9,880,000	\$ 10,400,000	\$ (520,000)
School - Igo Elementary	-	245,000	(245,000)
School - Ahern Middle	800,000	875,000	(75,000)
School - Ahern Middle	3,060,000	3,280,000	(220,000)
School Remodeling	91,000	98,000	(7,000)
Public Safety Building	9,323,000	9,967,000	(644,000)
Fire Engines	276,000	345,000	(69,000)
Senior Center	200,000	235,000	(35,000)
Highway Equipment	75,000	95,000	(20,000)
Land Acquisition - Mill St.	975,000	1,050,000	(75,000)
Land Acquisition	-	10,000	(10,000)
Landfill Closure	990,000	1,100,000	(110,000)
Title V	66,602	77,703	(11,101)
Total Governmental Activities	\$ 25,736,602	\$ 27,777,703	\$ (2,041,101)
Business-type Activities	Outstanding June 30, 2011	Outstanding June 30, 2010	Increase (Decrease)
Sewer	\$ 182,360	\$ 209,776	\$ (27,416)
Sewer	45,000	50,000	(5,000)
Sewer	632,909	691,589	(58,680)
Sewer	140,000	150,000	(10,000)
Water - Witch Pond Well	3,917,287	4,109,093	(191,806)
Water - Land Acquisition	20,000	30,000	(10,000)
Water - Reuse	1,375,000	1,490,000	(115,000)
Water	2,160,000	2,340,000	(180,000)
Water	390,271	416,681	(26,410)
Water	27,792	29,276	(1,484)
Total Business-type Activities	\$ 8,890,619	\$ 9,516,415	\$ (625,796)
Grand Total All Long-Term Debt	\$ 34,627,221	\$ 37,294,118	\$ (2,666,897)

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 2012 budget and tax rates including the following:

- The Town was able to balance its \$57.33 million general fund operating budget as a result of the combination of continued expansion in new growth property taxes and local receipts, and no new major spending or program initiatives. The effect of management's continued downward pressure on spending, resulted in less reliance on free cash reserves.
- Another significant factor was the estimated amount of local aid from the state for FY '12, which was down \$1.2 million on an inflation adjusted basis in FY '11 from the peak FY '01 levels. The Town absorbed another \$200 thousand year-over-year decrease in State Aid in FY '12 when combined with the last of the Federal Stimulus pass through Aid of \$543 thousand.
- State aid to the Town is now \$2.3 million less than peak FY '01 levels, excluding the Federal Stimulus pass through aid, on an inflation adjusted basis. The Town will continue to advocate for a more reliable state aid revenue stream.
- The state passed legislation allowing Massachusetts municipalities to pass a Local Option Meals Tax of 0.75% with 100% of the revenue going to the Town. Foxborough enacted this tax on its third attempt, effective for FY 2012. Meals Tax revenue was estimated by the Department of Revenue (DOR) at \$600 thousand for the partial 2012 fiscal year, and over \$750 thousand for a full fiscal year. FY 2012 revenues came in at \$666.8 thousand, beating DOR's estimate by 11.1%
- The Board of Selectmen's voted policy is to only use the new Meal Tax revenue stream for non-operating uses such as funding the Town's Other Post Employment Benefits (OPEB) obligations, roadway improvements and possibly other capital projects. In FY '12 the Town committed \$400 thousand towards the OPEB liability.
- The \$400 thousand OPEB funding referenced above was in addition to \$300 thousand enabled by this same source to OPEB in FY '11, as well as a \$1.265 million initial down payment the Town voted to fund its OPEB obligation that same year from dormant employee benefits related accounts. Going forward, the Town is committed to continue to fund this obligation annually on an increasing schedule with the new Meals Tax revenue.
- In light of the continued economic downturn nationwide, which has impacted state aid, Town officials have agreed to maintain its healthy Free Cash reserves in order to ensure that services will be maintained throughout this recession and into the recovery. The Town brought \$1.5 million in uncommitted Free Cash reserves into FY '12.
- The same developer for Patriot Place and owners of Gillette Stadium and the New England Patriots in Foxborough, the Krafts, have previously proposed a technology office park complex, larger than the Patriot Place project in square footage terms, across the street from Patriot Place. This project is still in the planning stages and, given the current state of the economy, progress is expected to be slow. After gambling was recently legalized in the State of Massachusetts, casino mogul Steve Wynn proposed a \$1 billion resort casino for Foxborough on this same property, but has since decided to suspend efforts to pursue the proposal given the community's reluctance to support it. Nevertheless, Town officials are optimistic about the eventual substantial commercial growth targeted for the Town of Foxborough, as this additional commercial development will certainly have a continued positive impact on the Town's financial condition in future years.

- Due to reduced state aid, Town leadership continued its conservative approach to balancing general fund operating budgets by continuing to keep a very tight reign on spending. Significant savings in health insurance costs were realized for the Town by renegotiating plan design with all unions. All major union contracts have been settled at a cost the Town can afford and the non-union wage plan has been updated to a merit based system. The Town continued its balanced reliance on “Free Cash” for the operating budget and, as a result, was able to fund its FY '12 general fund capital improvement needs (excluding buildings) exclusively from “Free Cash”, other available funds, and current year revenues, thus avoiding the need to borrow for new (non-building) capital projects in FY '12.
- Six bond issues totaling \$5.39 million were refunded/refinanced in FY '12 at the very favorable rate of 1.354% yielding \$713 thousand in savings over the remaining terms. The savings accrued to the operating budget, excluded debt (direct tax payer savings), and water enterprise debt.
- New debt was issued in FY '12 for both the Library renovation and expansion capital project and the Oak Street water treatment capital project. Total authorized debt was \$14.5 million, however only \$12.895 million needed to be issued due to a favorable construction bidding environment and the use of other cash resources. The Town maintained its AA+ bond rating and received a low bid of 2.91% on the consolidated 20 year offering. The entirety of the new issue is either debt excluded (\$7.095MM) or supported by water rates (\$5.8MM).
- The Board of Selectmen voted during their annual Classification Hearing to split the tax rate for the first time in the Town's history due to the significant disparity in value shifting from commercial to residential that had developed over the past two years.
- The tax rate was set for fiscal 2012 at \$14.86 per thousand for business and \$13.73 for residential, a \$1.92 increase for business and \$0.79 increase for residential. These rates brought the tax levy to the allowable levy limit for the 15th consecutive year.

Request for Information

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 21,993,115	\$ 4,934,950	\$ 26,928,065
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	430,976	-	430,976
TAX LIENS	700,382	-	700,382
MOTOR VEHICLE EXCISE TAXES	214,139	-	214,139
USER FEES	-	2,221,589	2,221,589
DEPARTMENTAL AND OTHER	1,057,717	-	1,057,717
INTERGOVERNMENTAL	1,522,376	-	1,522,376
OTHER ASSETS	19,355	-	19,355
NONCURRENT:			
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	73,034,901	14,371,169	87,406,070
TOTAL ASSETS	98,972,961	21,527,708	120,500,669
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	4,132,039	265,882	4,397,921
OTHER LIABILITIES	18,301	-	18,301
ACCRUED INTEREST	176,701	36,464	213,165
LANDFILL POSTCLOSURE CARE COSTS	37,000	-	37,000
COMPENSATED ABSENCES	477,990	20,423	498,413
BONDS AND NOTES PAYABLE	2,336,206	622,429	2,958,635
NONCURRENT:			
LANDFILL POSTCLOSURE CARE COSTS	629,000	-	629,000
COMPENSATED ABSENCES	605,576	69,618	675,194
POSTEMPLOYMENT BENEFITS	9,413,881	212,423	9,626,304
BONDS AND NOTES PAYABLE	23,950,502	8,268,190	32,218,692
TOTAL LIABILITIES	41,777,196	9,495,429	51,272,625
<u>NET ASSETS</u>			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	50,236,610	4,942,857	55,179,467
RESTRICTED FOR:			
STREETS	512,998	-	512,998
PERMANENT FUNDS:			
EXPENDABLE	359,384	-	359,384
NONEXPENDABLE	172,565	-	172,565
OTHER PURPOSES	4,680,684	-	4,680,684
UNRESTRICTED	1,233,524	7,089,422	8,322,946
TOTAL NET ASSETS	\$ 57,195,765	\$ 12,032,279	\$ 69,228,044

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2011**

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUE</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 1,941,925	\$ 451,309	\$ 2,266	\$ -	\$ (1,488,350)
PUBLIC SAFETY	7,466,800	1,597,330	293,658	-	(5,575,812)
EDUCATION	34,068,864	1,866,050	11,075,009	3,901,701	(17,226,104)
PUBLIC WORKS	2,636,367	4,020	18,734	1,445,036	(1,168,577)
HUMAN SERVICES	883,095	585,577	81,915	-	(215,603)
CULTURE & RECREATION	1,294,853	166,002	105,810	1,038,482	15,441
EMPLOYEE BENEFITS	17,932,041	1,361,914	5,266,061	-	(11,304,066)
STATE & COUNTY ASSESSMENTS	305,786	-	-	-	(305,786)
INTEREST	1,032,302	-	-	-	(1,032,302)
TOTAL GOVERNMENTAL ACTIVITIES	67,562,033	6,032,202	16,843,453	6,385,219	(38,301,159)
BUSINESS-TYPE ACTIVITIES:					
WATER	2,599,429	4,537,973	121,033	21,016	2,080,593
SEWER	992,375	975,690	32,114	59,415	74,844
SANITATION	933,350	923,535	2,979	-	(6,836)
TOTAL BUSINESS-TYPE ACTIVITIES	4,525,154	6,437,198	156,126	80,431	2,148,601
TOTAL PRIMARY GOVERNMENT	\$ 72,087,187	\$ 12,469,400	\$ 16,999,579	\$ 6,465,650	\$ (36,152,558)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF FOXBOROUGH, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2011**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET ASSETS:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (38,301,159)	\$ 2,148,601	\$ (36,152,558)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	33,614,169	-	33,614,169
TAX LIENS	108,090	-	108,090
MOTOR VEHICLE AND OTHER EXCISE TAXES	2,168,861	-	2,168,861
HOTEL/MOTEL TAX	938,782	-	938,782
PENALTIES AND INTEREST ON TAXES	280,778	-	280,778
PAYMENTS IN LIEU OF TAXES	2,375,260	-	2,375,260
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,453,615	-	1,453,615
UNRESTRICTED INVESTMENT INCOME	97,919	-	97,919
MISCELLANEOUS	77,791	-	77,791
TRANSFERS, NET	623,402	(623,402)	-
TOTAL GENERAL REVENUES AND TRANSFERS	<u>41,738,667</u>	<u>(623,402)</u>	<u>41,115,265</u>
CHANGE IN NET ASSETS	3,437,508	1,525,199	4,962,707
NET ASSETS:			
BEGINNING OF YEAR	<u>53,758,257</u>	<u>10,507,080</u>	<u>64,265,337</u>
END OF YEAR	<u><u>\$ 57,195,765</u></u>	<u><u>\$ 12,032,279</u></u>	<u><u>\$ 69,228,044</u></u>

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF FOXBOROUGH, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011**

<u>ASSETS</u>	GENERAL	HIGH SCHOOL RENOVATION	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 12,544,673	\$ 4,030,601	\$ 4,157,289	\$ 20,732,563
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES	430,976	-	-	430,976
TAX LIENS	700,382	-	-	700,382
MOTOR VEHICLE EXCISE TAXES	214,139	-	-	214,139
DEPARTMENTAL AND OTHER	265,154	-	792,563	1,057,717
INTERGOVERNMENTAL	-	-	1,522,376	1,522,376
OTHER ASSETS	19,355	-	-	19,355
TOTAL ASSETS	\$ 14,174,679	\$ 4,030,601	\$ 6,472,228	\$ 24,677,508
 <u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 2,843,258	\$ 1,092,290	\$ 196,491	\$ 4,132,039
OTHER LIABILITIES	18,301	-	-	18,301
DEFERRED REVENUES	1,286,998	-	1,305,561	2,592,559
NOTES PAYABLE	-	-	550,106	550,106
TOTAL LIABILITIES	4,148,557	1,092,290	2,052,158	7,293,005
FUND BALANCES:				
NONSPENDABLE	-	-	172,565	172,565
RESTRICTED	-	2,938,311	4,511,388	7,449,699
COMMITTED	567,779	-	-	567,779
ASSIGNED	3,633,566	-	-	3,633,566
UNASSIGNED	5,824,777	-	(263,883)	5,560,894
TOTAL FUND BALANCES	10,026,122	2,938,311	4,420,070	17,384,503
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,174,679	\$ 4,030,601	\$ 6,472,228	\$ 24,677,508

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, 2011**

	<u>GENERAL</u>	<u>HIGH SCHOOL RENOVATION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 33,838,386	\$ -	\$ -	\$ 33,838,386
INTERGOVERNMENTAL	15,617,873	3,901,701	5,188,193	24,707,767
MOTOR VEHICLE EXCISE TAXES	2,093,074	-	-	2,093,074
PAYMENTS IN LIEU OF TAXES	2,375,260	-	-	2,375,260
PENALTIES AND INTEREST ON TAXES	280,778	-	-	280,778
CHARGES FOR SERVICES	-	-	2,923,173	2,923,173
INVESTMENT INCOME	97,918	-	6,100	104,018
CONTRIBUTIONS & DONATIONS	-	-	143,269	143,269
DEPARTMENTAL AND OTHER	2,363,691	-	161,397	2,525,088
TOTAL REVENUES	56,666,980	3,901,701	8,422,132	68,990,813
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	1,798,212	-	61,060	1,859,272
PUBLIC SAFETY	6,815,567	-	312,077	7,127,644
EDUCATION	29,584,870	8,286,914	3,777,484	41,649,268
PUBLIC WORKS	2,189,341	-	1,519,312	3,708,653
HUMAN SERVICES	623,881	-	246,718	870,599
CULTURE & RECREATION	1,033,174	-	900,196	1,933,370
EMPLOYEE BENEFITS	14,386,174	-	51,994	14,438,168
STATE & COUNTY ASSESSMENTS	305,786	-	-	305,786
DEBT SERVICE				
PRINCIPAL	2,030,000	-	11,101	2,041,101
INTEREST	1,028,374	-	6,249	1,034,623
TOTAL EXPENDITURES	59,795,379	8,286,914	6,886,191	74,968,484
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,128,399)	(4,385,213)	1,535,941	(5,977,671)
<u>OTHER FINANCING SOURCES (USES)</u>				
OPERATING TRANSFERS IN	1,824,462	-	-	1,824,462
OPERATING TRANSFERS OUT	-	-	(1,201,060)	(1,201,060)
TOTAL OTHER FINANCING SOURCES (USES)	1,824,462	-	(1,201,060)	623,402
NET CHANGE IN FUND BALANCES	(1,303,937)	(4,385,213)	334,881	(5,354,269)
FUND BALANCES AT BEGINNING OF YEAR	11,330,059	7,323,524	4,085,189	22,738,772
FUND BALANCES AT END OF YEAR	\$ 10,026,122	\$ 2,938,311	\$ 4,420,070	\$ 17,384,503

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, 2011**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 17,384,503
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS	73,034,901
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS	2,592,559
THE ASSETS AND LIABILITIES OF THE INTERNAL SERVICE FUNDS ARE INCLUDED IN THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET ASSETS	1,260,552
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE	(176,701)
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	(25,736,602)
COMPENSATED ABSENCES	(1,083,566)
POSTEMPLOYMENT BENEFITS	(9,413,881)
LANDFILL POSTCLOSURE CARE COSTS	<u>(666,000)</u>
NET EFFECT OF REPORTING LONG-TERM LIABILITIES	<u>(36,900,049)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 57,195,765</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2011**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (5,354,269)**

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	11,928,095	
DEPRECIATION EXPENSE	<u>(3,108,193)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		8,819,902

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 (206,073)

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

DEBT SERVICE PRINCIPAL PAYMENTS	<u>2,041,101</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		2,041,101

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	26,907	
NET CHANGE IN POSTEMPLOYMENT BENEFITS ACCRUAL	(2,710,278)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	37,000	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>2,321</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		(2,644,050)

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>780,897</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 3,437,508**

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2011**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 34,154,937	\$ 34,154,937	\$ 33,838,386	\$ (316,551)
MOTOR VEHICLE EXCISE TAXES	2,050,000	2,050,000	2,093,074	43,074
PENALTIES & INTEREST ON TAXES	80,000	80,000	280,778	200,778
INTERGOVERNMENTAL	10,594,723	10,594,723	10,653,249	58,526
PAYMENTS IN LIEU OF TAXES	1,325,870	1,325,870	2,375,260	1,049,390
INVESTMENT INCOME	100,000	100,000	80,460	(19,540)
DEPARTMENTAL AND OTHER	2,309,196	2,309,196	2,363,691	54,495
	<u>50,614,726</u>	<u>50,614,726</u>	<u>51,684,898</u>	<u>1,070,172</u>
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	2,238,747	2,208,690	2,115,302	93,388
PUBLIC SAFETY	6,924,884	6,930,955	6,822,403	108,552
EDUCATION	29,232,149	29,232,149	29,120,670	111,479
PUBLIC WORKS	1,982,753	2,019,618	2,293,796	(274,178)
HUMAN SERVICES	620,200	647,392	627,438	19,954
CULTURE & RECREATION	1,074,755	1,074,755	1,042,846	31,909
EMPLOYEE BENEFITS	9,229,193	9,510,193	9,450,447	59,746
STATE & COUNTY ASSESSMENTS	304,503	304,503	305,786	(1,283)
DEBT SERVICE:				
PRINCIPAL	2,030,000	2,030,000	2,030,000	-
INTEREST	1,046,752	1,046,752	1,028,374	18,378
	<u>54,683,936</u>	<u>55,005,007</u>	<u>54,837,062</u>	<u>167,945</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,069,210)</u>	<u>(4,390,281)</u>	<u>(3,152,164)</u>	<u>1,238,117</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	1,831,208	1,831,208	1,824,462	(6,746)
NET CHANGE IN FUND BALANCE	(2,238,002)	(2,559,073)	(1,327,702)	1,231,371
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	8,193,445	8,193,445	8,193,445	-
BUDGETARY FUND BALANCE, END OF YEAR	\$ 5,955,443	\$ 5,634,372	\$ 6,865,743	\$ 1,231,371

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2011**

ASSETS	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	WATER	SEWER	SANITATION	TOTAL	INTERNAL SERVICE FUNDS
CURRENT:					
CASH AND SHORT-TERM INVESTMENTS	\$ 3,865,775	\$ 684,795	\$ 384,380	\$ 4,934,950	\$ 1,260,552
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	1,651,086	538,595	31,908	2,221,589	-
TOTAL CURRENT ASSETS	5,516,861	1,223,390	416,288	7,156,539	1,260,552
NONCURRENT:					
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	12,711,979	1,659,190	-	14,371,169	-
TOTAL ASSETS	18,228,840	2,882,580	416,288	21,527,708	1,260,552
LIABILITIES					
CURRENT:					
ACCOUNTS PAYABLE	231,203	4,529	30,150	265,882	-
ACCRUED INTEREST	34,446	2,018	-	36,464	-
COMPENSATED ABSENCES	18,381	2,042	-	20,423	-
BONDS AND NOTES PAYABLE	516,360	106,069	-	622,429	-
TOTAL CURRENT LIABILITIES	800,390	114,658	30,150	945,198	-
NONCURRENT:					
COMPENSATED ABSENCES	62,656	6,962	-	69,618	-
POSTEMPLOYMENT BENEFITS	169,939	42,484	-	212,423	-
BONDS AND NOTES PAYABLE	7,373,990	894,200	-	8,268,190	-
TOTAL NONCURRENT LIABILITIES	7,606,585	943,646	-	8,550,231	-
TOTAL LIABILITIES	8,406,975	1,058,304	30,150	9,495,429	-
NET ASSETS					
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT UNRESTRICTED	4,306,853 5,515,012	636,004 1,188,272	- 386,138	4,942,857 7,089,422	- 1,260,552
TOTAL NET ASSETS	\$ 9,821,865	\$ 1,824,276	\$ 386,138	\$ 12,032,279	\$ 1,260,552

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, 2011

	<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</u>
					<u>FUNDS</u>
<u>OPERATING REVENUES:</u>					
CHARGES FOR SERVICES	\$ 4,537,973	\$ 975,690	\$ 923,535	\$ 6,437,198	\$ -
EMPLOYER CONTRIBUTIONS	-	-	-	-	2,560,323
EMPLOYEE CONTRIBUTIONS	-	-	-	-	1,361,914
DEPARTMENTAL AND OTHER	103,512	28,345	-	131,857	225,912
TOTAL OPERATING REVENUES	<u>4,641,485</u>	<u>1,004,035</u>	<u>923,535</u>	<u>6,569,055</u>	<u>4,148,149</u>
<u>OPERATING EXPENSES:</u>					
GENERAL SERVICES	1,907,822	881,427	933,350	3,722,599	-
DEPRECIATION	448,443	60,418	-	508,861	-
EMPLOYEE BENEFITS	-	-	-	-	3,370,825
TOTAL OPERATING EXPENSES	<u>2,356,265</u>	<u>941,845</u>	<u>933,350</u>	<u>4,231,460</u>	<u>3,370,825</u>
OPERATING INCOME (LOSS)	2,285,220	62,190	(9,815)	2,337,595	777,324
<u>NON-OPERATING REVENUES (EXPENSES):</u>					
INTERGOVERNMENTAL	21,016	59,415	-	80,431	-
INVESTMENT INCOME	17,521	3,769	2,979	24,269	3,573
INTEREST EXPENSE	(243,164)	(50,530)	-	(293,694)	-
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	<u>(204,627)</u>	<u>12,654</u>	<u>2,979</u>	<u>(188,994)</u>	<u>3,573</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	2,080,593	74,844	(6,836)	2,148,601	780,897
<u>OPERATING TRANSFERS:</u>					
OPERATING TRANSFERS OUT	(486,004)	(62,607)	(74,791)	(623,402)	-
CHANGE IN NET ASSETS	1,594,589	12,237	(81,627)	1,525,199	780,897
NET ASSETS AT BEGINNING OF YEAR	<u>8,227,276</u>	<u>1,812,039</u>	<u>467,765</u>	<u>10,507,080</u>	<u>479,655</u>
NET ASSETS AT END OF YEAR	<u>\$ 9,821,865</u>	<u>\$ 1,824,276</u>	<u>\$ 386,138</u>	<u>\$ 12,032,279</u>	<u>\$ 1,260,552</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2011**

	<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>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
EMPLOYER CONTRIBUTIONS	\$ -	\$ -	\$ -	\$ -	\$ 2,560,323
EMPLOYEE CONTRIBUTIONS	-	-	-	-	1,361,914
RECEIPTS FROM CUSTOMERS AND USERS	4,279,334	1,139,629	929,976	6,348,939	693,488
PAYMENTS TO SUPPLIERS	(940,177)	(802,749)	(910,249)	(2,653,175)	(4,615,368)
PAYMENTS TO EMPLOYEES	(777,373)	(68,521)	(29,698)	(875,592)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,561,784</u>	<u>268,359</u>	<u>(9,971)</u>	<u>2,820,172</u>	<u>357</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>					
OPERATING TRANSFERS IN (OUT)	(486,004)	(62,607)	(74,791)	(623,402)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(486,004)</u>	<u>(62,607)</u>	<u>(74,791)</u>	<u>(623,402)</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>					
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(507,309)	(71,816)	-	(579,125)	-
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(902,454)	-	-	(902,454)	-
INTEREST EXPENSE	(229,169)	(20,719)	-	(249,888)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(1,638,932)</u>	<u>(92,535)</u>	<u>-</u>	<u>(1,731,467)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
INTEREST RECEIVED	17,521	3,769	2,979	24,269	3,573
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	<u>17,521</u>	<u>3,769</u>	<u>2,979</u>	<u>24,269</u>	<u>3,573</u>
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	454,369	116,986	(81,783)	489,572	3,930
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	<u>3,411,406</u>	<u>567,809</u>	<u>466,163</u>	<u>4,445,378</u>	<u>1,256,622</u>
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	<u>\$ 3,865,775</u>	<u>\$ 684,795</u>	<u>\$ 384,380</u>	<u>\$ 4,934,950</u>	<u>\$ 1,260,552</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>					
OPERATING INCOME (LOSS)	<u>\$ 2,285,220</u>	<u>\$ 62,190</u>	<u>\$ (9,815)</u>	<u>\$ 2,337,595</u>	<u>\$ 777,324</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
DEPRECIATION	448,443	60,418	-	508,861	-
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(362,152)	135,594	6,441	(220,117)	467,576
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	148,575	(335)	(6,597)	141,643	-
INCREASE (DECREASE) IN HEALTH CLAIMS PAYABLE	-	-	-	-	(1,244,543)
INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE	(489)	(54)	-	(543)	-
INCREASE (DECREASE) IN POSTEMPLOYMENT BENEFITS	42,187	10,546	-	52,733	-
TOTAL ADJUSTMENTS	<u>276,564</u>	<u>206,169</u>	<u>(156)</u>	<u>482,577</u>	<u>(776,967)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,561,784</u>	<u>\$ 268,359</u>	<u>\$ (9,971)</u>	<u>\$ 2,820,172</u>	<u>\$ 357</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011**

	POST EMPLOYMENT BENEFITS TRUST	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
<u>ASSETS</u>			
CASH AND SHORT-TERM INVESTMENTS	\$ 367,863	\$ 25,807	\$ (7,242)
INVESTMENTS	1,506,683	68,362	-
DEPARTMENTAL	-	-	322,106
TOTAL ASSETS	<u>1,874,546</u>	<u>94,169</u>	<u>314,864</u>
<u>LIABILITIES</u>			
OTHER LIABILITIES	-	-	314,864
<u>NET ASSETS</u>			
HELD IN TRUST FOR PLAN PARTICIPANTS	1,874,546	-	-
HELD IN TRUST FOR OTHER PURPOSES	-	94,169	-
TOTAL	<u>\$ 1,874,546</u>	<u>\$ 94,169</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, 2011**

	POST EMPLOYMENT BENEFITS TRUST	PRIVATE PURPOSE TRUST FUNDS
	<hr/>	<hr/>
<u>ADDITIONS:</u>		
CONTRIBUTIONS:		
EMPLOYER	\$ 347,528	\$ -
DEPARTMENTAL	104,856	-
NET INVESTMENT INCOME (LOSS):		
INVESTMENT INCOME	<hr/> 35,444	<hr/> 24,750
TOTAL ADDITIONS	<hr/> 487,828	<hr/> 24,750
<u>DEDUCTIONS:</u>	<hr/> -	<hr/> -
CHANGE IN NET ASSETS	487,828	24,750
NET ASSETS AT BEGINNING OF YEAR	<hr/> 1,386,718	<hr/> 69,419
NET ASSETS AT END OF YEAR	<hr/> <u>\$ 1,874,546</u>	<hr/> <u>\$ 94,169</u>

See accompanying notes to the basic financial statements

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Primary Government

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

Joint Venture

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

<u>Name</u>	<u>Purpose</u>	<u>Address</u>	<u>Annual Assessment</u>
Southeast Regional Vocational School District	To provide vocational education	250 Foundry Street Easton, MA 02375	\$ 300,556

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, 2011

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

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, 2011

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

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

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

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

Fund Financial Statements

Governmental Fund Financial Statements

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

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

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

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

The Town reports the following major governmental funds:

- The *General fund* is the primary operating fund of the Town. It is used to account for all financial resources, except those that are required to be accounted for in another fund.
- The *High School Renovation fund* is a capital project fund used to account for the renovation activity of the high school.
- The *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, 2011

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 and workers' compensation.

Fiduciary Fund Financial Statements

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

The following fiduciary fund types are reported:

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

Government-Wide and Fund Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide, proprietary fund, and fiduciary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board*. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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.

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

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

Motor Vehicle Excise

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

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

Water and Sewer

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

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Departmental and Other

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

Intergovernmental

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

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

F. Inventories

Government-Wide and Fund Financial Statements

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

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

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

Governmental Fund Financial Statements

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

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.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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.

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets are classified into three components:

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

Net assets have been “restricted” for the following:

- *Streets* represent amounts committed by the Commonwealth of Massachusetts for the repair and/or construction of streets.
- *Permanent funds – expendable* represents amounts held in trust for which the expenditures are restricted by various trust agreements.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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- *Permanent funds – nonexpendable* represents amounts held in trust for which only investment earnings may be expended.
 - *Other specific purposes* represent restrictions placed on assets from outside parties.
- c. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements (Fund Balances)

The Town uses the following criteria for fund balance classification:

- For *nonspendable* fund balance: includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- For *restricted* fund balance: when constraints placed on the use of the resources are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- For *committed* fund balance: (1) the government’s highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
- For *assigned* fund balance: (1) the body or official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which the authorization is given.
- For *unassigned* fund balance: is the residual classification for the general fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011 is recorded in the governmental fund financial statement.

O. Use of Estimates

Government-Wide and Fund Financial Statements

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

P. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Basis of Accounting

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

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

Original and supplemental appropriations are enacted upon by a Town Meeting vote. Management may not amend the budget without seeking the approval of the governing body. The Town's Advisory Committee can legally transfer funds from its reserve fund to other appropriations within the budget without seeking Town Meeting approvals. Also, as per Chapter 77 of the Acts 2007, the Town Manager with the concurrence of the Advisory Committee can make transfers in accordance with the limitations of this state statute. The original fiscal year 2011 approved budget authorized \$54,054,712 in current year appropriations and other amounts to be raised and \$629,224 in articles carried forward from previous fiscal years. Supplemental appropriations of \$321,071 were approved at two Special Town Meeting for fiscal year 2011.

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, is presented below:

Net change in fund balance - budgetary basis	\$ (1,327,702)
Basis of accounting differences:	
Net stabilization fund activity	17,458
Increase in revenue for on-behalf payments - MTRS	4,964,624
Increase in expenditures for on-behalf payments - MTRS	(4,964,624)
Adjustment for Current Year Encumbrances	261,626
Adjustment for Current Year Articles	567,779
Adjustment for expenditures from prior year encumbrances	<u>(823,098)</u>
Net change in fund balance - GAAP basis	<u>\$ (1,303,937)</u>

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2011, actual expenditures exceeded appropriations for the snow and ice expenditures account. These over-expenditures will be funded by available funds during fiscal year 2012, as is allowed by Massachusetts General Laws (**MGL**).

D. Deficit Fund Balance

A fund deficit exists within the special revenue funds. This deficit will be eliminated through subsequent fiscal year budget transfers, grants and/or proceeds of long term debt.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 – DEPOSITS AND INVESTMENTS

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

Deposits

- *Custodial Credit Risk - Deposits*

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

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

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

The following table illustrates how much of the Town’s bank deposits are insured, and how much of the Town’s bank deposits are uninsured, uncollateralized, or collateral held by the pledging bank’s trust department not in the Town’s name as of June 30, 2011:

Total bank balances		<u><u>\$ 29,698,006</u></u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	1,769,791	
Depositor's Insurance Fund (DIF)	<u>6,307,972</u>	
Total bank balances covered by deposit insurance		8,077,763
Balances subject to custodial credit risk		
Bank balances collateralized with securities held by the pledging financial institutions trust department or agent but not in the Town's name	6,049,875	
Bank balances uninsured & uncollateralized	<u>15,570,368</u>	
Total bank balances subject to custodial credit risk		<u>21,620,243</u>
Total bank balances		<u><u>\$ 29,698,006</u></u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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

Investments

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

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

- **Credit Risk**

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

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

Investment type	Fair value	Minimum Legal Rating					
			AA+	AA	A+	A	Unrated
Corporate Bonds	\$ 488,145	N/A	\$ 54,740	\$ 90,902	\$ 149,108	\$ 193,395	\$ -
Common Stock	44,406	N/A	-	-	-	-	44,406
Fixed income mutual funds	101,996	N/A	-	-	-	-	101,996
Equity mutual funds	929,254	N/A	-	-	-	-	929,254
Money market mutual funds	11,244	N/A	-	-	-	-	11,244
Total Investments	\$1,575,045		\$ 54,740	\$ 90,902	\$ 149,108	\$ 193,395	\$1,086,900

- *Custodial Credit Risk*

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The Town has no custodial credit risk exposure related to the corporate bonds, or the corporate equities because the related securities are registered in the name of the Town. The mutual fund investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

The Town will minimize Custodial Credit Risk (loss due to the failure of the security issuer) by limiting investments to those approved by the Commonwealth of Massachusetts Commissioners of Banks known as the “legal” list.

- *Interest Rate Risk*

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

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

Investment type	Fair value	Investment maturities (in years)		
		Less than 1	1-5	6-10
<i>Debt Related Securities:</i>				
Corporate bonds	\$ 488,145	\$ 34,986	\$ 201,802	\$ 251,357
Fixed Income Mutual Funds	101,996	101,996	-	-
Total - Debt related securities	590,141	136,982	201,802	251,357
<i>Other Investments:</i>				
Equity mutual funds	929,254	929,254	-	-
Money market mutual funds	11,244	11,244	-	-
Common Stock	44,406	44,406	-	-
Total Other Investments	984,904	984,904	-	-
Total Investments	\$ 1,575,045	\$ 1,121,886	\$ 201,802	\$ 251,357

- *Concentration of Credit Risk*

The Town will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Investments in foreign currency are not permitted. More than 5% of the Town’s investments are in the following equity mutual funds:

Issuer	Percentage of Total Investments
American Century Heritage (TWHIX)	5.23%
Baron Opportunity Fund (BIOPX)	5.16%

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

NOTE 4 – RECEIVABLES

The receivables at June 30, 2011 for the Town’s individual major and nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate taxes	\$ 394,226	\$ -	\$ 394,226
Personal property taxes	103,850	(67,100)	36,750
Real estate and personal property taxes	498,076	(67,100)	430,976
Tax liens	700,382	-	700,382
Motor vehicle excise taxes	254,839	(40,700)	214,139
Departmental and other	1,634,332	(254,509)	1,379,823
Intergovernmental	1,522,376	-	1,522,376
Total	<u>\$ 4,610,005</u>	<u>\$ (362,309)</u>	<u>\$ 4,247,696</u>

The receivables at June 30, 2011, for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water</i>			
User fees	\$ 1,651,086	\$ -	\$ 1,651,086
<i>Sewer</i>			
User fees	538,595	-	538,595
<i>Sanitation</i>			
User fees	31,908	-	31,908
Total	<u>\$ 2,221,589</u>	<u>\$ -</u>	<u>\$ 2,221,589</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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

Deferred Revenue Analysis

Receivable Type:	General Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 372,477	\$ -	\$ 372,477
Tax Liens	700,382	-	700,382
Motor vehicle excise taxes	214,139	-	214,139
Departmental and other	-	792,563	792,563
Intergovernmental	-	512,998	512,998
Total	\$ 1,286,998	\$ 1,305,561	\$ 2,592,559

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases & Reclassifications	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 6,461,525	\$ -	\$ -	\$ 6,461,525
Construction in progress	-	645,799	-	645,799
Total capital assets not being depreciated	<u>6,461,525</u>	<u>645,799</u>	<u>-</u>	<u>7,107,324</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	66,064,925	8,571,714	-	74,636,639
Capital improvements (other than buildings)	207,587	7,362	-	214,949
Machinery and equipment	2,308,801	217,999	-	2,526,800
Vehicles	8,492,929	947,255	(375,547)	9,064,637
Software	550,911	2,700	-	553,611
Infrastructure	16,748,850	1,535,266	-	18,284,116
Total capital assets being depreciated	<u>94,374,003</u>	<u>11,282,296</u>	<u>(375,547)</u>	<u>105,280,752</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(23,360,155)	(1,637,310)	-	(24,997,465)
Capital improvements (other than buildings)	(89,334)	(18,547)	-	(107,881)
Machinery and equipment	(1,388,536)	(275,669)	-	(1,664,205)
Vehicles	(5,703,829)	(588,473)	375,547	(5,916,755)
Software	(280,297)	(110,452)	-	(390,749)
Infrastructure	(5,798,378)	(477,742)	-	(6,276,120)
Total accumulated depreciation	<u>(36,620,529)</u>	<u>(3,108,193)</u>	<u>375,547</u>	<u>(39,353,175)</u>
Total capital assets being depreciated, net	<u>57,753,474</u>	<u>8,174,103</u>	<u>-</u>	<u>65,927,577</u>
Total governmental activities capital assets, net	<u>\$ 64,214,999</u>	<u>\$ 8,819,902</u>	<u>\$ -</u>	<u>\$ 73,034,901</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

Business-Type Activities:	Beginning Balance	Increases	Decreases & Reclassifications	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 692,282	\$ -	\$ -	\$ 692,282
Construction in progress	-	471,015	-	471,015
Total capital assets not being depreciated	<u>692,282</u>	<u>471,015</u>	<u>-</u>	<u>1,163,297</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	655,300	-	-	655,300
Machinery and equipment	845,782	372,190	-	1,217,972
Vehicles	194,399	46,427	-	240,826
Infrastructure	17,429,849	-	-	17,429,849
Total capital assets being depreciated	<u>19,125,330</u>	<u>418,617</u>	<u>-</u>	<u>19,543,947</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(655,300)	-	-	(655,300)
Machinery and equipment	(446,597)	(70,985)	-	(517,582)
Vehicles	(118,227)	(35,686)	-	(153,913)
Infrastructure	(4,607,090)	(402,190)	-	(5,009,280)
Total accumulated depreciation	<u>(5,827,214)</u>	<u>(508,861)</u>	<u>-</u>	<u>(6,336,075)</u>
Total capital assets being depreciated, net	<u>13,298,116</u>	<u>(90,244)</u>	<u>-</u>	<u>13,207,872</u>
Total business-type activities capital assets, net	<u>\$ 13,990,398</u>	<u>\$ 380,771</u>	<u>\$ -</u>	<u>\$ 14,371,169</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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

Governmental Activities:	
General government	\$ 122,832
Public safety	751,477
Education	1,573,336
Public works	628,184
Human services	18,035
Culture and recreation	14,329
Total depreciation expense - governmental activities	\$ 3,108,193

Business-Type Activities:	
Water	\$ 448,443
Sewer	60,418
Total depreciation expense - business-type activities	\$ 508,861

Construction Commitments

The Town has two active construction projects for the renovation of the High School (Major Fund) and the Library as of June 30, 2011. At year end the Town's project commitments for the various contractors and engineers are as follows:

Project	Spent to Date	Remaining Commitment
High School Renovations	\$ 10,501,937	\$ 2,172,628
Library Renovations	581,712	496,568
Totals	\$ 11,083,649	\$ 2,669,196

These commitments for the renovations of the High School and Library projects will be funded by grant proceeds and the issuance of long-term debt.

**TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

	<u>Operating Transfers In:</u>	
<u>Operating Transfers Out:</u>	<u>General Fund</u>	
Nonmajor Governmental Funds	\$ 1,201,060	(1)
Water Enterprise Fund	486,004	(2)
Sewer Enterprise Fund	62,607	(2)
Sanitation Enterprise Fund	<u>74,791</u>	(2)
Total	<u><u>\$ 1,824,462</u></u>	

(1) Represents budgeted transfer to supplement the operating budget.

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 – SHORT-TERM FINANCING

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

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

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

The following is a summary of changes in short-term debt for the year ended June 30, 2011:

<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2010</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2011</u>
<u>Governmental Funds</u>						
Septic Loan Program	0.00%	advance	<u>\$ 252,900</u>	<u>\$ 297,206</u>	<u>\$ -</u>	<u>\$ 550,106</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
High School renovation	3.35	\$ 10,400,000	\$ -	\$ 520,000	\$ 9,880,000
School - Igo Elementary	5.10	245,000	-	245,000	-
Title V	0.00	77,703	-	11,101	66,602
Landfill Closure	5.49	1,100,000	-	110,000	990,000
Senoir Center	5.38	235,000	-	35,000	200,000
Land Acquisition	5.13	10,000	-	10,000	-
School - Ahern Middle	3.55	875,000	-	75,000	800,000
Land Acquisition - Mill St.	4.75	1,050,000	-	75,000	975,000
School & Vehicles	3.84	3,378,000	-	227,000	3,151,000
Public Safety/Fire engines	3.84	6,487,000	-	488,000	5,999,000
Public Safety Building	4.02	3,825,000	-	225,000	3,600,000
Public Works	3.84	95,000	-	20,000	75,000
Total		\$ 27,777,703	\$ -	\$ 2,041,101	\$ 25,736,602

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2011 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,786,100	\$ 957,161	\$ 2,743,261
2013	1,781,101	897,497	2,678,598
2014	1,776,100	833,598	2,609,698
2015	1,771,101	767,714	2,538,815
2016	1,681,100	701,706	2,382,806
2017-2021	8,111,100	2,567,571	10,678,671
2022-2026	6,525,000	1,091,312	7,616,312
2027-2030	2,305,000	171,013	2,476,013
Total	\$ 25,736,602	\$ 7,987,572	\$ 33,724,174

Bonds and Notes Payable Schedule - Water and Sewer Enterprise Funds

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2010</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2011</u>
Sewer	Var.	\$ 209,776	\$ -	\$ 27,416	\$ 182,360
Sewer	Var.	50,000	-	5,000	45,000
Sewer	Var.	691,589	-	58,680	632,909
Sewer	3.86	150,000	-	10,000	140,000
Water	2.00	4,109,093	-	191,806	3,917,287
Land Acquisition - Water	2.77	30,000	-	10,000	20,000
Water Reuse	3.63	1,490,000	-	115,000	1,375,000
Water	3.64	2,340,000	-	180,000	2,160,000
Water	Var.	416,681	-	26,410	390,271
Water	Var.	29,276	-	1,484	27,792
Total		\$ 9,516,415	\$ -	\$ 625,796	\$ 8,890,619

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2011 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 622,429	\$ 277,836	\$ 900,265
2013	627,850	258,692	886,542
2014	628,674	234,846	863,520
2015	634,070	210,254	844,324
2016	643,127	188,117	831,244
2017-2021	3,111,744	605,546	3,717,290
2022-2026	1,868,149	167,858	2,036,007
2027-2029	754,576	22,839	777,415
Total	<u>\$ 8,890,619</u>	<u>\$ 1,965,988</u>	<u>\$ 10,856,607</u>

Loans Authorized and Unissued

As of June 30, 2011, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Conservation - Land Acquisition	5/13/1986	\$ 130,000
Water - Land Acquisition	5/14/1990	70,000
School Renovation	5/4/2009	8,512,828
Community Septic Program	12/14/2009	600,000
Renovation and Expansion of Boyden Library	5/10/2010	7,500,000
Design, Construct, & Equip Water Treatment Facility	5/10/2010	7,000,000
Total		<u>\$23,812,828</u>

Massachusetts School Building Authority Reimbursements

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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.

Under prior grants the Town has been approved for a 68% percent state school construction grant through the Massachusetts School Building Authority (MSBA) to cover eligible project costs, including debt service associated with the financing of these projects, subject to annual appropriation by the state legislature. The Town received a final payment of \$665,554 from scheduled annual payments in FY 2011 from the MSBA for completed school construction projects. The current grant program awarded a 49.31% state school construction grant, through MSBA, for the High School renovation project.

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 27,777,703	\$ -	\$ (2,041,101)	\$ 25,736,602	\$ 1,786,100
Compensated absences	1,110,473	-	(26,907)	1,083,566	477,990
Postemployment Benefits	6,703,603	2,710,278	-	9,413,881	-
Landfill postclosure care costs	703,000	-	(37,000)	666,000	37,000
Total governmental activities long-term liabilities	\$ 36,294,779	\$ 2,710,278	\$ (2,105,008)	\$ 36,900,049	\$ 2,301,090
Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 9,516,415	\$ -	\$ (625,796)	\$ 8,890,619	\$ 622,429
Compensated absences	90,584	-	(543)	90,041	20,423
Postemployment Benefits	159,690	52,733	-	212,423	-
Total business-type activities long-term liabilities	\$ 9,766,689	\$ 52,733	\$ (626,339)	\$ 9,193,083	\$ 642,852

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011:

<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>\$ 800,000</u>	2.272%	<u>\$ 18,176</u>

Conduit Debt

On June 30, 2000, the Town issued \$69,810,000 in Foxborough Stadium Infrastructure Improvement Bonds. The Bonds are issued pursuant to Chapter 16 of the Acts of 1999 of the Commonwealth of Massachusetts and the Trust Indenture dated as of June 1, 2000. The bonds are payable solely from the trust assets, consisting of assigned rights to receive contract assistance payments from the Commonwealth of Massachusetts under the contract in an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds, and other funds specifically pledged for the payment of the Bonds under the Trust Indenture. The Bonds are not a general obligation of the Town or the Commonwealth of Massachusetts. The contract assistance agreement is a general obligation of the Commonwealth of Massachusetts for which the full faith and credit of the Commonwealth of Massachusetts is pledged for the benefit of the Town. As of June 30, 2011, the total amount of conduit debt outstanding was \$50,105,000.

NOTE 9 – RISK FINANCING

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

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

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

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town’s liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2011.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

The Town discontinued its self-insured employee health insurance program in September of 2010, when it bid the program and awarded the business to Massachusetts Interlocal Insurance Association (MIIA) on a premium basis.

The Town has several contributory health care options. There are 664 employees and retirees who participate in the Town's health care programs. The Town contributes 50% of the costs for the full indemnity plan and supplementary Medicare insurance. The Town contributes 70% of the costs for managed care costs.

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

Funding Policy. The contribution requirements of plan members and the Town are established and may be amended by local by-law. The required contribution is based on projected pay-as-you-go financing requirements. For Fiscal Year 2011, the estimated total Town premiums plus implicit costs for the retiree medical program are \$1,280,373.

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

Annual Required Contribution (ARC)	\$ 4,566,114
Interest on Net OPEB Obligation	394,639
ARC Adjustment	<u>(304,967)</u>
Annual OPEB Cost (expense)	4,655,786
Contributions made	<u>(1,892,775)</u>
Increase in net OPEB obligation	2,763,011
Net OPEB Obligation - beginning of year	<u>6,863,293</u>
Net OPEB Obligation - end of year	<u>\$ 9,626,304</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Increase in OPEB Obligation</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 5,095,788	21.31%	\$ 4,009,801	\$ 4,009,801
6/30/2010	\$ 5,393,311	47.09%	\$ 2,853,492	\$ 6,863,293
6/30/2011	\$ 4,655,786	40.65%	\$ 2,763,011	\$ 9,626,304

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, the normal cost and actuarial liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ration of past service to total service. The actuarial assumptions included a 3.50% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.00% percent graded down to 5.00% over five years. The actuarial value of assets was determined using market value. The UAAL is being amortized as a level dollar amount over 30 years at transition. The remaining amortization period at July 1, 2011, was 27 years.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11 – PENSION PLAN

A. Plan Descriptions

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

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

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

B. Funding Policies

Norfolk County Contributory Retirement System

Plan members are required to contribute to the “System” at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the “System”, its share of the remaining system-wide, actuarially determined, contribution plus administration costs, which are apportioned among the employers, based on active covered payroll. The Commonwealth of Massachusetts reimburses the “system” for a portion of the benefit payments for the cost of living increases. The contributions to the “System” for years ended June 30, 2011, 2010, and 2009 were \$2,201,277, \$2,121,371, and \$1,895,766 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 \$4,964,624 for fiscal year 2011. In accordance with GASB Statement No. 24, these on-behalf” payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is believed the amount, if any, would not be material.

The Town's landfill was closed in 1997 by order of the Department of Environmental Protection (DEP). The DEP approved the capping construction of the landfill site in 1998. The Town is responsible for post-closure monitoring of the site for thirty years (19 years remaining), and the estimated liability has been recorded in the Statement of Net Assets, Governmental Activities. The \$666,000 reported as landfill post-closure liability at June 30, 2011 is based on what it would cost to perform all post-closure care costs at June 30, 2011. 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, 2011, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2011.

NOTE 13 – GASB #54 IMPLEMENTATION OF MAJOR AND NONMAJOR FUND RECLASSIFICATION

GASB Statement #54 *Fund Balance Reporting and Governmental Fund Type Definitions* was implemented in FY2011. The standard clarified the fund definitions which resulted in the reclassification of several formerly special revenue funds to the general fund. As a result, the Major Stabilization Fund and the non-major CIP Stabilization Fund were reclassified to the General Fund.

Description	Governmental Funds		
	General Fund	Major Stabilization Fund	Nonmajor Governmental Funds
Balances at June 30, 2010, as previously reported	\$ 8,193,445	\$ 2,591,157	\$ 4,630,646
To Reclassify the Major Stabilization Fund to the General Fund	2,591,157	(2,591,157)	-
To Reclassify the Nonmajor CIP Stabilization Fund to the General Fund	545,457	-	(545,457)
Balances at June 30, 2010, as restated	<u>\$ 11,330,059</u>	<u>\$ -</u>	<u>\$ 4,085,189</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2011, the following GASB pronouncements were implemented:

The GASB issued **Statement #54** *Fund Balance Reporting and Governmental Fund Type Definitions* was implemented in FY2011. This pronouncement required additional disclosure and reclassified some fund balances in the basic financial statements.

Future GASB Pronouncements:

The GASB issued **Statement #57** *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans* which is required to be implemented in FY2012. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.

The GASB issued **Statement #59** *Financial Instruments Omnibus* which is required to be implemented in FY2012. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.

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

Schedules of Funding Progress and Employer Contributions

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
7/1/2008	\$ -	\$ 62,192,355	\$ 62,192,355	0.00%	\$ 29,236,861	212.7%
6/30/2011	\$ 1,874,546	\$ 54,227,260	\$ 52,352,714	3.46%	\$ 30,785,506	170.1%

Schedule of Employer Contributions (1):

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed *	Increase in OPEB Obligation	Net OPEB Obligation
2009	\$ 5,095,788	21.31%	\$ 4,009,801	\$ 4,009,801
2010	\$ 5,393,311	47.09%	\$ 2,853,492	\$ 6,863,293
2011	\$ 4,655,786	40.65%	\$ 2,763,011	\$ 9,626,304

* Based on expected premium payments.

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

Valuation date	June 30, 2011
Discount Rate	3.50%
Medical Trend	7.0 % grading down to 5% in Year 2017 and thereafter
Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level dollar amount over 30 years at transition
Remaining Amortization Period	27
Mortality	RP-2000 Table for males RP-2000 Table for females

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

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

Medical Plan Participants:

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