

TOWN OF FOXBOROUGH, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2014

**TOWN OF FOXBOROUGH, MASSACHUSETTS
REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1 – 2
Management's Discussion and Analysis	3 – 12
Basic Financial Statements	
Statement of Net Position	13
Statement of Activities	14 – 15
Governmental Funds – Balance Sheet	16
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	20
Proprietary Funds – Statement of Net Position	21
Proprietary Funds – Statement of Revenues, Expenses, and Changes in Fund Net Position	22
Proprietary Funds – Statement of Cash Flows	23
Fiduciary Funds – Statement of Fiduciary Net Position	24
Fiduciary Funds – Statement of Changes in Fiduciary Net Position	25
Notes to Basic Financial Statements	26 – 59
Required Supplementary Information:	
Retirement System Schedules of Funding Progress and Employer Contributions	60
Other Postemployment Benefits – Schedules of Funding Progress and Employer Contributions	61 – 62

R. E. BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
25 CEMETERY STREET – P.O. BOX 230
Mendon, Massachusetts 01756

Phone: (508) 478-3941

Fax: (508) 478-1779

INDEPENDENT AUDITORS REPORT

To the Honorable Board of Selectmen
Town of Foxborough, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Foxborough, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Foxborough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Foxborough, Massachusetts, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retirement system schedules of funding progress and employer contributions and other post-employment benefits – schedules of funding progress and employer contributions on pages 3-12, 60 and 61 – 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2015, on our consideration of the Town of Foxborough, Massachusetts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Foxborough, Massachusetts's internal control over financial reporting and compliance.



June 19, 2015

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, 2014. 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 \$81.6 million (net position). Of this amount, \$6.69 million, or 8.2%, is considered unrestricted (unrestricted net position).
- The unrestricted net position of the Town's governmental activities is -\$674 thousand, primarily as a result of the phase-in of the postemployment benefits, or OPEB, liability. The unrestricted net position of the Town's business-type activities is \$7.4 million and may be used to meet the ongoing obligations of the Town's water and sewer business-type activities.
- The government's total net position increased by \$3.9 million, or 5.0%, in fiscal 2014. Within this total, net position of governmental activities increased by \$2.6 million, a 4.0% increase from fiscal 2013. Also, net position of business-type activities increased by \$1.3 million or 9.4%, from 2013.
- At June 30, 2014, the Town's governmental funds had a combined ending fund balance of \$20.91 million. The combined governmental funds balance decreased by \$113 thousand, or 0.5%, from the prior year's ending fund balance. A total of \$8.6 million, or 41.1%, of the \$20.91 million fund balance is considered unassigned at June 30, 2014. This represents a \$479 thousand, or 5.9%, increase over FY '13.
- The Town's general fund reported a fund balance of \$14.17 million at the end of fiscal 2014. The unassigned fund balance for the general fund was \$8.87 million, or 14.4%, of total FY '14 general fund budgetary expenditures. This represents a \$379 thousand increase in total general fund balance for the year. A total of \$2.77 million of the unassigned fund balance was designated for funding the fiscal year 2015 budget.
- The total cost of all Town services on a full accrual basis for fiscal 2014 was \$76.2 million, \$71.7 million of which was for governmental services, and \$4.5 million of which was for business-type activities, an overall 5.95% increase compared to fiscal 2013.
- The Town's total bonded debt decreased by a net of \$3.07 million or 7.25% during the year. The entire decrease was the result of scheduled principal redemptions. No new debt was added in FY '14.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis:

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

As noted above, assets exceed liabilities by \$81.6 million at the close of fiscal year 2014. The Town is able to report positive balances in net position for both the government as a whole, and for each of its governmental and business-type activities in total and by sub-component, respectively.

A key component of the Town's net position is its *unrestricted net position* totaling \$6.69 million, or 8.2%, of net position, which may be used to meet the government's ongoing obligations to its citizens and creditors.

The Town's investment in capital assets (e.g., land, roads, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets, is \$67.81 million, or 83.1%, of net position. The Town uses these capital assets to provide services to citizens; consequently, these assets *are not* available for future spending. Although the investment in the Town's capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of Governmental activities increased by \$2.58 million, a 4.0% increase from fiscal 2013. Net position of business-type activities increased by \$1.35 million or 9.4%, from 2013. Total Town net position increased by \$3.92 million, or 5.0%.

The \$2.58 million increase in Governmental activities net position is attributable general operating revenue of \$49.2 million, program revenues of \$24.45 million, net operating transfers in of \$624 thousand, less total expenses of \$71.7 million.

Net position of business-type activities increased by \$1.35 million as a result of the following: operating revenue exceeded expenses and depreciation by \$2.28 million; \$72.5 thousand was received via intergovernmental grants; \$17 thousand was earned in interest; interest expense was \$397.7 thousand; and the net of transfers out for costs incurred in the general fund were \$624 thousand.

There was an increase of \$1.26 million, or 10.2%, in net position reported in connection with the water business-type activities. There was an increase of \$86 thousand, or 4.3%, in net position in connection with the sewer business-type activities.

An additional portion of the Governmental activities total net position totaling \$7.1 million, or 10.8%, 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 2014	FY 2013	Increase (Decrease)	FY 2014	FY 2013	Increase (Decrease)	FY 2014	FY 2013	Increase (Decrease)
Assets:									
Current Assets	\$ 27,168,193	\$ 28,222,912	\$ (1,054,719)	\$ 8,470,536	\$ 10,064,330	\$ (1,593,794)	\$ 35,638,729	\$ 38,287,242	(2,648,513)
Capital Assets	86,302,047	84,905,576	1,396,471	19,986,014	18,364,746	1,621,268	106,288,061	103,270,322	3,017,739
Total Assets	113,470,240	113,128,488	341,752	28,456,550	28,429,076	27,474	141,926,790	141,557,564	369,226
Liabilities:									
Current Liabilities (excluding debt)	4,543,586	5,156,528	(612,942)	224,123	625,318	(401,195)	4,767,709	5,781,846	(1,014,137)
Noncurrent Liabilities (excluding debt)	15,749,155	14,980,875	768,280	471,543	471,940	(397)	16,220,698	15,452,815	767,883
Current Debt	2,146,100	2,193,802	(47,702)	914,070	917,173	(3,103)	3,060,170	3,110,975	(50,805)
Noncurrent Debt	25,097,201	27,440,913	(2,343,712)	11,177,596	12,091,666	(914,070)	36,274,797	39,532,579	(3,257,782)
Total Liabilities	47,536,042	49,772,118	(2,236,076)	12,787,332	14,106,097	(1,318,765)	60,323,374	63,878,215	(3,554,841)
Net Position:									
Net Investment in Capital Assets	59,511,499	56,052,667	3,458,832	8,299,869	7,415,609	884,260	67,811,368	63,468,276	4,343,092
Restricted	7,097,172	7,639,506	(542,334)	-	-	-	7,097,172	7,639,506	(542,334)
Unrestricted	(674,473)	(335,803)	(338,670)	7,369,349	6,907,370	461,979	6,694,876	6,571,567	123,309
Total Net Position	\$ 65,934,198	\$ 63,356,370	\$ 2,577,828	\$ 15,669,218	\$ 14,322,979	\$ 1,346,239	\$ 81,603,416	\$ 77,679,349	\$ 3,924,067
Revenues									
<i>Program Revenues:</i>									
Charges for Services	\$ 11,177,779	\$ 4,878,863	\$ 6,298,916	\$ 6,156,816	\$ 5,417,120	\$ 739,696	\$ 17,334,595	\$ 10,295,983	\$ 7,038,612
Operating Grants and Contributions	11,693,179	17,754,998	(6,061,819)	219,189	244,182	(24,993)	11,912,368	17,999,180	(6,086,812)
Capital Grants and Contributions	1,578,028	1,849,626	(271,598)	72,464	76,600	(4,136)	1,650,492	1,926,226	(275,734)
<i>General Revenues:</i>									
Real Estate and Personal Property Taxes	39,277,775	37,552,271	1,725,504	-	-	-	39,277,775	37,552,271	1,725,504
Tax Liens	355,118	290,561	64,557	-	-	-	355,118	290,561	64,557
Motor Vehicle and Other Excise Taxes	2,565,018	2,446,151	118,867	-	-	-	2,565,018	2,446,151	118,867
Payments in lieu of taxes	2,990,402	2,393,417	596,985	-	-	-	2,990,402	2,393,417	596,985
Hotel/Motel Tax	2,037,114	1,934,753	102,361	-	-	-	2,037,114	1,934,753	102,361
Penalties and Interest on Taxes	205,910	186,687	19,223	-	-	-	205,910	186,687	19,223
Nonrestricted Grants and Contributions	1,458,990	1,203,464	255,526	-	-	-	1,458,990	1,203,464	255,526
Unrestricted Investment Income	84,106	102,678	(18,572)	-	-	-	84,106	102,678	(18,572)
Other Revenues	232,097	93,363	138,734	-	-	-	232,097	93,363	138,734
Total Revenues	73,655,516	70,686,832	2,968,684	6,448,469	5,737,902	710,567	80,103,985	76,424,734	3,679,251
Expenses:									
General Government	2,474,171	2,227,721	246,450	-	-	-	2,474,171	2,227,721	246,450
Public Safety	8,208,210	7,887,955	320,255	-	-	-	8,208,210	7,887,955	320,255
Education	37,204,501	34,931,968	2,272,533	-	-	-	37,204,501	34,931,968	2,272,533
Public Works	3,118,020	2,886,848	231,172	-	-	-	3,118,020	2,886,848	231,172
Human Services	934,488	982,998	(48,510)	-	-	-	934,488	982,998	(48,510)
Culture and Recreation	1,890,786	1,286,083	604,703	-	-	-	1,890,786	1,286,083	604,703
Employee Benefits	16,454,375	16,179,901	274,474	-	-	-	16,454,375	16,179,901	274,474
State and County Assessments	395,874	349,108	46,766	-	-	-	395,874	349,108	46,766
Interest	1,021,226	1,116,388	(95,162)	-	-	-	1,021,226	1,116,388	(95,162)
Water	-	-	-	3,379,693	2,949,955	429,738	3,379,693	2,949,955	429,738
Sewer	-	-	-	1,098,574	1,102,002	(3,428)	1,098,574	1,102,002	(3,428)
Total Expenses	71,701,651	67,848,970	3,852,681	4,478,267	4,051,957	426,310	76,179,918	71,900,927	4,278,991
Transfers	623,963	580,248	43,715	(623,963)	(580,248)	(43,715)	-	-	-
Change in Net Position	2,577,828	3,418,110	(840,282)	1,346,239	1,105,697	240,542	3,924,067	4,523,807	(599,740)
Net Position - Beginning	63,356,370	59,938,260	3,418,110	14,322,979	13,217,282	1,105,697	77,679,349	73,155,542	4,523,807
Net Position - Ending	\$ 65,934,198	\$ 63,356,370	\$ 2,577,828	\$ 15,669,218	\$ 14,322,979	\$ 1,346,239	\$ 81,603,416	\$ 77,679,349	\$ 3,924,067

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 2014, governmental funds reported combined ending fund balances of \$20.91 million, a \$113 thousand decrease from the prior year's ending fund balance. The net change reflects a Governmental fund balance decrease due to general fund expenditures being \$113 thousand more than combined general fund revenues and operating transfers in and out. \$1.57 million was expended in association with the substantial completion of the High School renovation and the Library renovation and expansion projects. \$850.5 thousand in state grants were received for these capital projects in addition to a \$380 thousand cash contribution from a library gift fund. Finally, a net of \$152.4 thousand was expended across several non-major governmental fund accounts in excess of amounts received or transferred in and out.

The General fund is the primary operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8.87 million, while total fund balance stood at \$14.17 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 14.5% of total general fund budgetary expenditures, while total fund balance represents 23.1% of that same amount.

General fund budgetary revenues increased by 5.95% or \$3.37 million in FY 2014, due primarily to growth in property taxes associated with voted debt exclusions and allowable annual increases as per proposition 2 ½ (*\$1.72 million*) and payments in lieu of taxes from Gillette Stadium (*\$639 thousand*). Conversely, general fund budgetary expenditures, including operating and capital spending, increased by 4.7% or \$2.7 million driven primarily by increases in education (*\$1.4 million*), public safety (*\$506 thousand*), general government (*\$422 thousand*), public works costs (*\$267 thousand*), and a net \$137 thousand in increases across all other departments, including a \$31 thousand decrease in employee benefits costs due to health plan design changes. After accounting for other financing sources and uses, the budgetary fund balance of the general fund was reduced \$364 thousand to \$9.23 million. This result continues to be according to management's conservative planning and budgeting and the prudent use of unassigned fund balance to maintain both the Town's services and financial position.

The Library Renovation Fund balance increased by a net of \$162.9 thousand to end FY '14 at \$535.5 thousand. The FY '14 balance reflects \$346.2 thousand in continuing State grant project cost reimbursements, \$380 thousand in library gift fund contributions, plus the opening fund balance of \$372.6 thousand less \$563.2 thousand expended in FY '14 capital project costs.

The High School Renovation Fund balance decreased by a net of \$502.3 thousand to end FY '14 at \$0, reflecting the close out of this project. The FY '14 balance reflects the receipt of \$504.4 thousand in final Massachusetts School Building Authority project cost reimbursements plus the opening fund balance of \$502.3 thousand less \$1.0 million expended in final FY '14 capital project costs.

The Stabilization funds, which are now included within the General Fund as per GASB 54, has accumulated balances of \$3.6 million, which represents 5.88% of FY 2014 general fund budgetary expenditures. \$3.06 million of these funds is considered "Unassigned" and \$550 thousand is considered "Assigned". However, all of these funds can be used for general or capital purposes upon Town Meeting approval.

All other Non-Major Governmental Fund balances decreased in total by \$152.4 thousand to \$6.21 million as a result of \$7.625 million received in revenues less \$6.993 million in expenditures and a net of \$784.5

thousand in transfers out. The gross transfer out amount of \$1.08 million reflects the normal funding of operating and capital expenses in the general fund.

General Fund Budget Highlights

Actual FY 2014 general fund revenues exceeded budgeted revenues by \$3.42 million, primarily driven by conservatively estimated local receipts and strong property tax collection performance, absorbing state aid finishing \$11.8 thousand less than plan. General fund expenses were \$483 thousand less than budget in total due to management's continued focus on living within the means of the municipality's revenues as well as the employee health insurance plan design changes resulting in lower premiums for both the Town and its employees. This result is net of a legal snow & ice removal deficit of \$372.4 thousand. Despite the extra winter expense, management's continued, and well practiced, disciplined approach to spending sustains the Town's service levels in a challenging, yet improving, economic environment. Net operating transfers in/out were slightly less than plan by \$34.1 thousand, at \$1.03 million. The net result was a small decrease to FY 2014 budgetary fund balance of \$364 thousand.

Capital Asset and Debt Administration

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

The Town's ownership of, or investment in, capital assets for governmental and business type activities, as summarized below, as of June 30, 2014, amounts to \$106.29 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 \$5.5 million and reduced by \$141.3 thousand in asset retirements and a net of \$4.00 million in depreciation during fiscal 2014, for a net \$1.4 million increase. The increases were primarily due to: \$743.4 thousand and \$571.9 thousand of construction related to the Library and High School renovations, respectively; \$1.59 million of roadway, parking lot and sidewalk infrastructure projects; \$1.42 million in various public safety, highway and school department vehicles net of retirements; \$520 thousand in computer, network, projection and copying equipment; \$98.5 thousand for the rehabilitation of the middle school track and the rod-iron fencing surrounding the historic Town Common; and a net of \$117 thousand in assorted departmental equipment.

Business-type activities capital assets were increased by \$2.42 million in investments and reduced by \$796 thousand in depreciation for a net increase of \$1.62 million. The asset increases were primarily due to \$1.63 million to complete the Oak Street treatment plant and \$426 thousand for water enterprise infrastructure. The balance of the asset additions, \$182 thousand, were associated with water meter, valve and robotic equipment.

In summary, total increases net of depreciation to town wide capital assets are \$1.73 million.

Capital Assets (Net of Depreciation)									
	Governmental Activities			Business-type Activities			Total Primary Government		
			Increase (Decrease)			Increase (Decrease)			Increase (Decrease)
	FY 2014	FY 2013		FY 2014	FY 2013		FY 2014	FY 2013	
Land	\$ 6,537,225	\$ 6,537,225	\$ -	\$ 692,282	\$ 692,282	\$ -	\$ 7,229,507	\$ 7,229,507	\$ -
Buildings	60,548,307	50,923,435	9,624,872	-	-	-	60,548,307	50,923,435	9,624,872
Capital Improvements (other than buildings)	161,044	145,206	15,838	-	-	-	161,044	145,206	15,838
Machinery & Equipment	1,356,247	1,217,973	138,274	1,234,099	908,990	325,109	2,590,346	2,126,963	463,383
Software	73,000	44,760	28,240	-	-	-	73,000	44,760	28,240
Vehicles	3,799,543	3,001,765	797,778	112,967	133,326	(20,359)	3,912,510	3,135,091	777,419
Infrastructure	13,826,682	12,792,389	1,034,293	17,946,666	11,977,708	5,968,958	31,773,348	24,770,097	7,003,251
Construction in Progress	-	10,242,823	(10,242,823)	-	4,652,440	(4,652,440)	-	14,895,263	(14,895,263)
Total Capital Assets	\$ 86,302,049	\$ 84,905,576	\$ 1,396,473	\$ 19,986,014	\$ 18,364,746	\$ 1,621,268	\$ 106,288,063	\$ 103,270,322	\$ 3,017,741

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, 2014, totaled \$39.33 million. 94.1%, or \$25.64 million, of the \$27.24 million in governmental activity debt is excluded from the limits of proposition 2 ½. Business-type activities have debt of \$12.1 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, 2014	Outstanding June 30, 2013	Increase (Decrease)
School - High School	\$ 8,320,000	\$ 8,840,000	\$ (520,000)
School - Ahern Middle	535,000	607,000	(72,000)
School - Ahern Middle	2,400,000	2,620,000	(220,000)
School Remodeling	70,000	77,000	(7,000)
Public Safety Building	7,406,000	8,040,000	(634,000)
Library Renovation	6,385,000	6,740,000	(355,000)
Fire Engines	69,000	138,000	(69,000)
Senior Center	90,000	124,000	(34,000)
Highway Equipment	15,000	35,000	(20,000)
Land Acquisition - Mill St.	755,000	833,000	(78,000)
Landfill Closure	595,000	702,500	(107,500)
Title V	33,301	44,402	(11,101)
Title V	570,000	600,000	(30,000)
Total Governmental Activities	\$ 27,243,301	\$ 29,400,902	\$ (2,157,601)
Business-type Activities	Outstanding June 30, 2014	Outstanding June 30, 2013	Increase (Decrease)
Sewer	\$ 95,251	\$ 125,135	\$ (29,884)
Sewer	30,000	35,000	(5,000)
Sewer	440,102	507,165	(67,063)
Sewer	110,000	120,000	(10,000)
Water - Oak St. Treatment Plant	5,220,000	5,510,000	(290,000)
Water - Witch Pond Well	3,358,290	3,548,361	(190,071)
Water - Reuse	975,000	1,090,000	(115,000)
Water	1,535,000	1,713,500	(178,500)
Water	305,000	335,000	(30,000)
Water	23,023	24,678	(1,655)
Total Business-type Activities	\$ 12,091,666	\$ 13,008,839	\$ (917,173)
Grand Total All Long-Term Debt	\$ 39,334,967	\$ 42,409,741	\$ (3,074,774)

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 2015 budget and tax rates including the following:

- The Town was able to balance its FY '15 \$62.6 million general fund operating budget as a result of the combination of continued expansion in new growth property taxes and local receipts, no new major spending or program initiatives and excellent cost containment. The effect of management's continued downward pressure on spending and maximizing new revenue generation, resulted in a \$160 thousand reduced reliance on free cash reserves from the prior year.
- Another significant factor in balancing the FY '15 budget was the estimated amount of local aid from the state for FY '15, which was a net of \$8.7 million, down \$2.5 million on an inflation adjusted basis in FY '15 from the peak FY '01 levels. The result was essentially flat state aid in FY '15, with a modest \$72 thousand increase. Despite the slowed growth of the Town's second largest recurring revenue source (16% of total), the Town's financially engineered "soft landing" from the latest recession has proven to be quite successful over the last six budget cycles. Town services have been both maintained and enhanced over the last six years, including the completion of several major building and infrastructure projects.

- The state passed legislation allowing Massachusetts municipalities to pass a Local Option Meals Tax of 0.75% with 100% of the revenue going to the local municipality. Foxborough enacted this tax effective for FY 2012. FY 2012 revenues came in at \$666.8 thousand, beating DOR's estimate by 11.1%. FY 2013 & 2014 revenues came in at \$819 thousand and \$844 thousand, respectively. After three quarters of collections, FY 2015 revenues are on track to easily exceed the full year estimate of \$869 thousand.
- After a couple of years in the making, the Town is close to finalizing the implementation of a solar energy partnership utilizing available Town land, including the former landfill and composting areas, that will yield a significant new revenue stream to the Town. We are hopeful to be live and selling power back to "the grid" in FY 2016.
- 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 '15 the Town committed \$600 thousand of meals tax revenues towards the OPEB liability, bringing the cumulative meals tax funding of the OPEB liability to \$1.8 million. The balance, or \$1.36 million, has been committed to road reconstruction projects in support of the Town's recently updated street-by-street pavement management plan.
- The \$1.8 million OPEB funding referenced above was in addition to a \$1.265 million initial down payment the Town voted to fund its OPEB obligation in FY '11 from dormant employee benefits related accounts. The Town is committed to continue funding this obligation annually on an increasing schedule with the new Meals Tax revenue, as the Town is very close to achieving the goal of funding annually at the annual required contribution (ARC). The Water and Sewer enterprise funds already contribute at the ARC level.
- The Town is pleased to report that its unfunded OPEB liability has dropped by \$21.4 million, from \$52.3 million at the FYE '11 valuation date to \$30.9 million at the FYE '13 valuation date. The originally calculated unfunded liability was \$62.2 million at FYE '09. Therefore the Town has cut this liability in half over the last four years. This reduction is a direct result of the Town's funding schedule, the successful renegotiation of health plan design with all employee groups, as well as the Board of Selectmen's decision to require all retirees to pay the same percentage (50%) of their health premiums regardless of age. The FYE '15 valuation will be completed by the end of calendar 2015.
- In light of the slow economic recovery nationwide, which has kept downward pressure on state aid, Town officials have agreed to continue to maintain its healthy Free Cash reserves in order to ensure that services will be maintained throughout the recovery, however long it may take. The Town brought \$2.65 million in uncommitted Free Cash reserves into FY '15. The Town's FY '15 Free Cash was certified at \$5.19 million, the Town's third highest ever Free Cash balance.
- The same developer for the Foxborough based 1.35 million square foot Patriot Place mixed use commercial development on 90.5 acres, and owners of Gillette Stadium, the New England Patriots football team, and the New England Revolution soccer team, the Kraft Group, has previously proposed a technology office park complex, larger than the Patriot Place project in square footage terms, across the street from Patriot Place. This project is still in the planning stages. However, given the current recovering state of the economy, advancement is imminent. Consequently, the state has recently purchased an integral rail line that will directly connect Foxborough, and the Kraft properties, to important public transportation infrastructure. Town officials are reasonably optimistic about the eventual substantial commercial growth targeted for the Town of Foxborough, as this additional commercial development alone will have a meaningful accretive impact on the Town's financial condition in future years. We continue to see movement with new commercial development from the Kraft Group, and other commercial developers, as a new hotel is about to be constructed at Patriot Place, and another is in development on the other side of Town. The Kraft Group has also been very active in filling vacancies at the Patriot Place complex with popular restaurant and retail offerings.
- Further, the Town of Foxborough continues to attract new substantial, yet low impact, commercial development in other sections of the Town, further balancing the commercial attractiveness of the community. Also, a long standing internationally renowned manufacturer in Foxborough, Invensys,

plc. (formerly the Foxborough Company) cemented its 105 year commitment to date with the community, by agreeing, and investing over \$30 million in existing facilities to make them more attractive to recruit engineering talent in exchange for a relatively modest tax increment financing (TIF) deal with the Town. The TIF agreement only adds to the Town's tax revenues, it does not reduce existing tax revenues. However it also maintains the largest employer in the Town (1,100 jobs), as well one of the most benevolent members of the Foxborough community, thus ensuring continued substantial benefits to the Town and the local economy. Invensys was recently acquired in a friendly takeover by Schneider Electric, a global leader in energy management, giving even greater stability to an already solid company.

- The Town is in the process of addressing multiple strategic initiatives. After several years of effort and negotiations, Foxborough has executed a regional sewer pact with surrounding Towns. This is a significant positive for the Town on two fronts: 1) It will put significant downward pressure on sewer rates; and even more impactful, 2) It will allow for a significant expansion of central sewer capacities, thus allowing for several new commercial and residential growth opportunities in the Town, that will be accretive to the Town's tax base, while having minimal impact on services.
- In light of this development Town leaders are finalizing an update to the Town's Master Plan relating to land use. With significant new property development capabilities on the horizon, Town leaders are taking a proactive approach to managing this growth so as to minimize the impact on local services, while maintaining the revered character of our relatively small suburban community.
- Due to modest growth in state aid, Town leadership continued its conservative approach to balancing general fund operating budgets for FY '16 by maintaining a very tight reign on spending. All major union contracts have been settled at a cost the Town can afford. The Town continued its balanced reliance on "Free Cash" for the operating budget and, as a result, was able to fund its FY '16 general fund capital improvement needs exclusively from "Free Cash", other available funds, and current year revenues, avoiding the need to borrow for new capital projects in FY '16.
- The Town issued no new debt in FY's '13 '14 & '15, other than its participation in a state subsidized zero interest loan program for the replacement of residential septic systems. \$600 thousand was used under this program by fiscal year end 2013, and fully loaned out to residents at a low 2% interest rate.
- The Town anticipates bonding an estimated \$7 million in January 2016 for the new / replacement Town Hall currently being designed. Town operating budgets have been architected for the past five years to accommodate the debt service costs associated with a Town Hall borrowing to be fully funded within the budget, as included debt, i.e., not a debt exclusion or a tax increase.
- The Town has identified commercial and residential property that it plans to auction off in the near future. The proceeds will be reserved for the Town's next major building project.
- The Board of Selectmen voted during their annual Classification Hearing to split the tax rate for the fourth consecutive year due to the noticeable disparity in value shifting from commercial to residential that had developed over the past three years.
- The tax rate was set for fiscal 2015 at \$17.52 per thousand for business and \$15.19 for residential, a \$0.43 increase for business and \$0.20 increase for residential. These rates brought the tax levy to the allowable levy limit for the 18th consecutive year.
- In FY 2012 the Town converted from semi-annual to quarterly property tax billing. This move has proven to be very successful over the last three years. It has improved the Town's already strong cash flow. This should make it highly unlikely the Town would need to short-term borrow for operating purposes.

Request for Information

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

**TOWN OF FOXBOROUGH, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2014**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 24,005,120	\$ 5,918,228	\$ 29,923,348
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	362,670	-	362,670
TAX LIENS	1,049,021	-	1,049,021
MOTOR VEHICLE EXCISE TAXES	195,252	-	195,252
USER FEES	-	2,552,308	2,552,308
DEPARTMENTAL AND OTHER	877,810	-	877,810
INTERGOVERNMENTAL	640,145	-	640,145
OTHER ASSETS	38,175	-	38,175
NONCURRENT:			
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	86,302,047	19,986,014	106,288,061
TOTAL ASSETS	113,470,240	28,456,550	141,926,790
LIABILITIES			
CURRENT:			
ACCOUNTS PAYABLE	3,805,395	137,862	3,943,257
ACCRUED LIABILITIES	29,798	-	29,798
OTHER LIABILITIES	18,301	-	18,301
ACCRUED INTEREST	152,932	46,091	199,023
DEFERRED AMOUNT ON REFUNDING	10,350	14,150	24,500
LANDFILL POSTCLOSURE CARE COSTS	37,000	-	37,000
COMPENSATED ABSENCES	489,810	26,020	515,830
BONDS AND NOTES PAYABLE	2,146,100	914,070	3,060,170
NONCURRENT:			
DEFERRED AMOUNT ON REFUNDING	72,450	99,050	171,500
LANDFILL POSTCLOSURE CARE COSTS	518,000	-	518,000
COMPENSATED ABSENCES	968,903	51,330	1,020,233
POSTEMPLOYMENT BENEFITS	14,189,802	321,163	14,510,965
BONDS AND NOTES PAYABLE	25,097,201	11,177,596	36,274,797
TOTAL LIABILITIES	47,536,042	12,787,332	60,323,374
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	59,511,499	8,299,869	67,811,368
RESTRICTED FOR:			
PERMANENT FUNDS:			
EXPENDABLE	173,776	-	173,776
NONEXPENDABLE	172,565	-	172,565
OTHER PURPOSES	6,750,831	-	6,750,831
UNRESTRICTED	(674,473)	7,369,349	6,694,876
TOTAL NET POSITION	\$ 65,934,198	\$ 15,669,218	\$ 81,603,416

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014**

<u>FUNCTIONS/PROGRAMS</u>	PROGRAM REVENUES				NET (EXPENSE) REVENUE
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 2,474,171	\$ 566,516	\$ 3,975	\$ -	\$ (1,903,680)
PUBLIC SAFETY	8,208,210	2,596,245	109,828	-	(5,502,137)
EDUCATION	37,204,501	1,697,892	10,930,152	504,359	(24,072,098)
PUBLIC WORKS	3,118,020	11,940	21,284	727,509	(2,357,287)
HUMAN SERVICES	934,488	139,049	135,413	-	(660,026)
CULTURE & RECREATION	1,890,786	275,751	410,193	346,160	(858,682)
EMPLOYEE BENEFITS	16,454,375	5,890,386	82,334	-	(10,481,655)
STATE & COUNTY ASSESSMENTS	395,874	-	-	-	(395,874)
INTEREST	1,021,226	-	-	-	(1,021,226)
TOTAL GOVERNMENTAL ACTIVITIES	71,701,651	11,177,779	11,693,179	1,578,028	(47,252,665)
BUSINESS-TYPE ACTIVITIES:					
WATER	3,379,693	4,949,223	205,926	18,287	1,793,743
SEWER	1,098,574	1,207,593	13,263	54,177	176,459
TOTAL BUSINESS-TYPE ACTIVITIES	4,478,267	6,156,816	219,189	72,464	1,970,202
TOTAL PRIMARY GOVERNMENT	\$ 76,179,918	\$ 17,334,595	\$ 11,912,368	\$ 1,650,492	\$ (45,282,463)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF FOXBOROUGH, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET POSITION:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (47,252,665)	\$ 1,970,202	\$ (45,282,463)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	39,277,775	-	39,277,775
TAX LIENS	355,118	-	355,118
MOTOR VEHICLE AND OTHER EXCISE TAXES	2,565,018	-	2,565,018
HOTEL/MOTEL TAX	2,037,114	-	2,037,114
PENALTIES AND INTEREST ON TAXES	205,910	-	205,910
PAYMENTS IN LIEU OF TAXES	2,990,402	-	2,990,402
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,458,990	-	1,458,990
UNRESTRICTED INVESTMENT INCOME	84,106	-	84,106
MISCELLANEOUS	232,097	-	232,097
TRANSFERS, NET	623,963	(623,963)	-
TOTAL GENERAL REVENUES AND TRANSFERS	49,830,493	(623,963)	49,206,530
CHANGE IN NET POSITION	2,577,828	1,346,239	3,924,067
NET POSITION:			
BEGINNING OF YEAR	63,356,370	14,322,979	77,679,349
END OF YEAR	\$ 65,934,198	\$ 15,669,218	\$ 81,603,416

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF FOXBOROUGH, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014**

ASSETS	GENERAL	LIBRARY RENOVATION	HIGH SCHOOL RENOVATION	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 17,416,779	\$ 535,553	\$ -	\$ 6,052,788	\$ 24,005,120
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:					
REAL ESTATE AND PERSONAL PROPERTY TAXES	362,670	-	-	-	362,670
TAX LIENS	1,049,021	-	-	-	1,049,021
MOTOR VEHICLE EXCISE TAXES	195,252	-	-	-	195,252
DEPARTMENTAL AND OTHER	2,900	-	-	874,910	877,810
INTERGOVERNMENTAL	15,620	-	-	624,525	640,145
OTHER ASSETS	38,175	-	-	-	38,175
TOTAL ASSETS	\$ 19,080,417	\$ 535,553	\$ -	\$ 7,552,223	\$ 27,168,193
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
ACCOUNTS PAYABLE	\$ 3,334,724	\$ -	\$ -	\$ 470,671	\$ 3,805,395
ACCRUED LIABILITIES	29,798	-	-	-	29,798
OTHER LIABILITIES	18,301	-	-	-	18,301
TOTAL LIABILITIES	3,382,823	-	-	470,671	3,853,494
DEFERRED INFLOWS OF RESOURCES:					
DEFERRED PROPERTY TAXES	1,510,106	-	-	-	1,510,106
DEFERRED INTERGOVERNMENTAL REVENUE	15,620	-	-	-	15,620
DEFERRED OTHER REVENUE	2,900	-	-	874,909	877,809
TOTAL DEFERRED INFLOWS OF RESOURCES	1,528,626	-	-	874,909	2,403,535
FUND BALANCES:					
NONSPENDABLE	-	-	-	172,565	172,565
RESTRICTED	640,921	535,553	-	6,295,671	7,472,145
COMMITTED	792,328	-	-	-	792,328
ASSIGNED	3,869,515	-	-	-	3,869,515
UNASSIGNED	8,866,204	-	-	(261,593)	8,604,611
TOTAL FUND BALANCES	14,168,968	535,553	-	6,206,643	20,911,164
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 19,080,417	\$ 535,553	\$ -	\$ 7,552,223	\$ 27,168,193

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, 2014**

	<u>GENERAL</u>	<u>LIBRARY RENOVATION</u>	<u>HIGH SCHOOL RENOVATION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:					
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 39,497,207	\$ -	\$ -	\$ -	\$ 39,497,207
INTERGOVERNMENTAL	15,916,082	346,160	504,359	3,469,500	20,236,101
MOTOR VEHICLE EXCISE TAXES	2,651,722	-	-	-	2,651,722
PAYMENTS IN LIEU OF TAXES	3,010,156	-	-	-	3,010,156
PENALTIES AND INTEREST ON TAXES	205,910	-	-	-	205,910
CHARGES FOR SERVICES	-	-	-	3,344,895	3,344,895
INVESTMENT INCOME	84,105	-	-	2,881	86,986
CONTRIBUTIONS & DONATIONS	-	-	-	420,803	420,803
DEPARTMENTAL AND OTHER	4,183,660	-	-	387,369	4,571,029
TOTAL REVENUES	65,548,842	346,160	504,359	7,625,448	74,024,809
EXPENDITURES:					
CURRENT:					
GENERAL GOVERNMENT	2,421,259	-	-	89,861	2,511,120
PUBLIC SAFETY	8,539,507	-	-	152,652	8,692,159
EDUCATION	31,770,965	-	1,006,692	4,343,826	37,121,483
PUBLIC WORKS	2,662,216	-	-	1,612,153	4,274,369
HUMAN SERVICES	869,246	-	-	95,314	964,560
CULTURE & RECREATION	1,065,717	563,230	-	304,822	1,933,769
EMPLOYEE BENEFITS	15,319,475	-	-	351,094	15,670,569
STATE & COUNTY ASSESSMENTS	395,874	-	-	-	395,874
DEBT SERVICE					
PRINCIPAL	2,116,501	-	-	41,100	2,157,601
INTEREST	1,037,734	-	-	2,495	1,040,229
TOTAL EXPENDITURES	66,198,494	563,230	1,006,692	6,993,317	74,761,733
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(649,652)	(217,070)	(502,333)	632,131	(736,924)
OTHER FINANCING SOURCES (USES)					
OPERATING TRANSFERS IN	1,355,792	380,000	-	295,000	2,030,792
OPERATING TRANSFERS OUT	(327,272)	-	-	(1,079,557)	(1,406,829)
TOTAL OTHER FINANCING SOURCES (USES)	1,028,520	380,000	-	(784,557)	623,963
NET CHANGE IN FUND BALANCES	378,868	162,930	(502,333)	(152,426)	(112,961)
FUND BALANCES AT BEGINNING OF YEAR	13,790,100	372,623	502,333	6,359,069	21,024,125
FUND BALANCES AT END OF YEAR	\$ 14,168,968	\$ 535,553	\$ -	\$ 6,206,643	\$ 20,911,164

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 20,911,164
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		86,302,047
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		2,403,535
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(152,932)
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	(27,243,301)	
DEFERRED AMOUNT ON REFUNDING	(82,800)	
COMPENSATED ABSENCES	(1,458,713)	
POSTEMPLOYMENT BENEFITS	(14,189,802)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(555,000)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(43,529,616)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 65,934,198</u></u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ (112,961)
<p>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.</p>		
CAPITAL OUTLAY	5,395,968	
DEPRECIATION EXPENSE	<u>(3,999,497)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		1,396,471
<p>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</p>		
		(369,293)
<p>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.</p>		
CAPITAL LEASE PAYMENTS	233,813	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>2,157,601</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		2,391,414
<p>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.</p>		
NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	(12,872)	
NET CHANGE IN POSTEMPLOYMENT BENEFITS ACCRUAL	(770,934)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	37,000	
NET CHANGE IN DEFERRED AMOUNT ON REFUNDING	10,350	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>8,653</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>(727,803)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 2,577,828</u>

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, 2014**

	<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	\$ 39,088,916	\$ 39,088,916	\$ 39,497,207	\$ 408,291
MOTOR VEHICLE EXCISE TAXES	2,100,000	2,100,000	2,651,722	551,722
PENALTIES & INTEREST ON TAXES	112,000	112,000	205,910	93,910
INTERGOVERNMENTAL	10,320,392	10,320,392	10,308,572	(11,820)
PAYMENTS IN LIEU OF TAXES	1,378,596	1,378,596	3,010,156	1,631,560
INVESTMENT INCOME	60,000	60,000	67,188	7,188
DEPARTMENTAL AND OTHER	<u>3,447,853</u>	<u>3,447,853</u>	<u>4,183,660</u>	<u>735,807</u>
TOTAL REVENUES	<u>56,507,757</u>	<u>56,507,757</u>	<u>59,924,415</u>	<u>3,416,658</u>
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	3,069,389	3,053,561	2,918,816	134,745
PUBLIC SAFETY	8,528,514	8,635,396	8,548,829	86,567
EDUCATION	32,113,321	32,113,321	32,004,842	108,479
PUBLIC WORKS	2,345,334	2,388,169	2,692,516	(304,347)
HUMAN SERVICES	857,390	895,390	878,847	16,543
CULTURE & RECREATION	1,096,681	1,110,821	1,054,192	56,629
EMPLOYEE BENEFITS	9,832,424	9,725,309	9,710,352	14,957
STATE & COUNTY ASSESSMENTS	378,085	378,085	395,874	(17,789)
DEBT SERVICE:				
PRINCIPAL	2,116,500	2,116,500	2,116,500	-
INTEREST	<u>1,017,985</u>	<u>1,011,485</u>	<u>996,502</u>	<u>14,983</u>
TOTAL EXPENDITURES	<u>61,355,623</u>	<u>61,428,037</u>	<u>61,317,270</u>	<u>110,767</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,847,866)</u>	<u>(4,920,280)</u>	<u>(1,392,855)</u>	<u>3,527,425</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	1,382,921	1,382,921	1,355,792	(27,129)
OPERATING TRANSFERS OUT	<u>(312,713)</u>	<u>(320,299)</u>	<u>(327,272)</u>	<u>(6,973)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,070,208</u>	<u>1,062,622</u>	<u>1,028,520</u>	<u>(34,102)</u>
NET CHANGE IN FUND BALANCE	<u>(3,777,658)</u>	<u>(3,857,658)</u>	<u>(364,335)</u>	<u>3,493,323</u>
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	<u>9,590,191</u>	<u>9,590,191</u>	<u>9,590,191</u>	<u>-</u>
BUDGETARY FUND BALANCE, END OF YEAR	<u>\$ 5,812,533</u>	<u>\$ 5,732,533</u>	<u>\$ 9,225,856</u>	<u>\$ 3,493,323</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2014**

ASSETS	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER	SEWER	TOTAL
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 5,202,040	\$ 716,188	\$ 5,918,228
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	1,908,602	643,706	2,552,308
TOTAL CURRENT ASSETS	7,110,642	1,359,894	8,470,536
NONCURRENT:			
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	18,476,667	1,509,347	19,986,014
TOTAL ASSETS	25,587,309	2,869,241	28,456,550
 LIABILITIES			
CURRENT:			
ACCOUNTS PAYABLE	131,694	6,168	137,862
ACCRUED INTEREST	45,911	180	46,091
DEFERRED AMOUNT ON REFUNDING	14,150	-	14,150
COMPENSATED ABSENCES	23,418	2,602	26,020
BONDS AND NOTES PAYABLE	801,213	112,857	914,070
TOTAL CURRENT LIABILITIES	1,016,386	121,807	1,138,193
NONCURRENT:			
DEFERRED AMOUNT ON REFUNDING	99,050	-	99,050
COMPENSATED ABSENCES	46,197	5,133	51,330
POSTEMPLOYMENT BENEFITS	225,913	95,250	321,163
BONDS AND NOTES PAYABLE	10,615,100	562,496	11,177,596
TOTAL NONCURRENT LIABILITIES	10,986,260	662,879	11,649,139
TOTAL LIABILITIES	12,002,646	784,686	12,787,332
 NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	7,442,958	856,911	8,299,869
UNRESTRICTED	6,141,705	1,227,644	7,369,349
TOTAL NET POSITION	\$ 13,584,663	\$ 2,084,555	\$ 15,669,218

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 FISCAL YEAR ENDED JUNE 30, 2014**

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>
<u>OPERATING REVENUES:</u>			
CHARGES FOR SERVICES	\$ 4,949,223	\$ 1,207,593	\$ 6,156,816
DEPARTMENTAL AND OTHER	190,979	11,175	202,154
TOTAL OPERATING REVENUES	<u>5,140,202</u>	<u>1,218,768</u>	<u>6,358,970</u>
<u>OPERATING EXPENSES:</u>			
GENERAL SERVICES	2,290,921	982,738	3,273,659
DEPRECIATION	737,961	57,844	795,805
EMPLOYEE BENEFITS	(7,833)	18,892	11,059
TOTAL OPERATING EXPENSES	<u>3,021,049</u>	<u>1,059,474</u>	<u>4,080,523</u>
OPERATING INCOME (LOSS)	<u>2,119,153</u>	<u>159,294</u>	<u>2,278,447</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
INTERGOVERNMENTAL	18,287	54,177	72,464
INVESTMENT INCOME	14,947	2,088	17,035
INTEREST EXPENSE	(358,644)	(39,100)	(397,744)
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	<u>(325,410)</u>	<u>17,165</u>	<u>(308,245)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>1,793,743</u>	<u>176,459</u>	<u>1,970,202</u>
<u>OPERATING TRANSFERS:</u>			
OPERATING TRANSFERS IN	32,272	-	32,272
OPERATING TRANSFERS OUT	(565,837)	(90,398)	(656,235)
TOTAL OPERATING TRANSFERS	<u>(533,565)</u>	<u>(90,398)</u>	<u>(623,963)</u>
CHANGE IN NET POSITION	1,260,178	86,061	1,346,239
NET POSITION AT BEGINNING OF YEAR	12,324,485	1,998,494	14,322,979
NET POSITION AT END OF YEAR	<u>\$ 13,584,663</u>	<u>\$ 2,084,555</u>	<u>\$ 15,669,218</u>

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FISCAL YEAR ENDED JUNE 30, 2014**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER	SEWER	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
RECEIPTS FROM CUSTOMERS AND USERS	\$ 4,885,787	\$ 1,221,269	\$ 6,107,056
PAYMENTS TO SUPPLIERS	(1,190,608)	(1,086,539)	(2,277,147)
PAYMENTS TO EMPLOYEES	(1,052,588)	(103,045)	(1,155,633)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,642,591	31,685	2,674,276
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
OPERATING TRANSFERS IN (OUT)	(533,565)	(90,398)	(623,963)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(797,931)	(81,456)	(879,387)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(2,653,839)	-	(2,653,839)
INTEREST EXPENSE	(364,396)	(15,433)	(379,829)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	(3,816,166)	(96,889)	(3,913,055)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
INTEREST RECEIVED	14,947	2,088	17,035
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	(1,692,193)	(153,514)	(1,845,707)
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	6,894,233	869,702	7,763,935
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	\$ 5,202,040	\$ 716,188	\$ 5,918,228
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>			
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>			
OPERATING INCOME (LOSS)	\$ 2,119,153	\$ 159,294	\$ 2,278,447
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
DEPRECIATION	737,961	57,844	795,805
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(254,415)	2,502	(251,913)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	47,725	(206,847)	(159,122)
INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE	(5,808)	(645)	(6,453)
INCREASE (DECREASE) IN POSTEMPLOYMENT BENEFITS	(2,025)	19,537	17,512
TOTAL ADJUSTMENTS	523,438	(127,609)	395,829
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,642,591	\$ 31,685	\$ 2,674,276

See accompanying notes to the basic financial statements

**TOWN OF FOXBOROUGH, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014**

<u>ASSETS</u>	POSTEMPLOYMENT BENEFITS TRUST	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 53,561	\$ 25,536	\$ 508,178
INVESTMENTS	3,799,743	130,474	-
DEPARTMENTAL	-	-	274,421
TOTAL ASSETS	3,853,304	156,010	782,599
<u>LIABILITIES</u>			
ACCOUNTS PAYABLE	-	-	5,249
OTHER LIABILITIES	-	-	777,350
TOTAL LIABILITIES	-	-	782,599
<u>NET POSITION</u>			
HELD IN TRUST FOR PLAN PARTICIPANTS	3,853,304	-	-
HELD IN TRUST FOR OTHER PURPOSES	-	156,010	-
TOTAL	\$ 3,853,304	\$ 156,010	\$ -

See accompanying notes to the basic financial statements

TOWN OF FOXBOROUGH, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FISCAL YEAR ENDED JUNE 30, 2014

	<u>POSTEMPLOYMENT BENEFITS TRUST</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS:</u>		
CONTRIBUTIONS:		
DEPARTMENTAL	\$ 618,838	\$ -
NET INVESTMENT INCOME (LOSS):		
INVESTMENT INCOME	<u>390,643</u>	<u>51,372</u>
TOTAL ADDITIONS	<u>1,009,481</u>	<u>51,372</u>
<u>DEDUCTIONS:</u>		
EDUCATIONAL SCHOLARSHIPS	<u>-</u>	<u>300</u>
CHANGE IN NET POSITION	1,009,481	51,072
NET POSITION AT BEGINNING OF YEAR	<u>2,843,823</u>	<u>104,938</u>
NET POSITION AT END OF YEAR	<u>\$ 3,853,304</u>	<u>\$ 156,010</u>

See accompanying notes to the basic financial statements

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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	\$ 214,375

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, 2014

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 postclosure care costs, and other postemployment benefits (**OPEB**) which are recognized when the obligations are expected to be liquidated with current expendable available resources.

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

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

The Town reports the following major governmental funds:

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

Proprietary Fund Financial Statements

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

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

The following major proprietary funds are reported:

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Fiduciary Fund Financial Statements

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

The following fiduciary fund types are reported:

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

Government-Wide and Fund Financial Statements

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

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

Motor Vehicle Excise

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

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

Water and Sewer

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

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

Departmental and Other

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Intergovernmental

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

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

F. Inventories

Government-Wide and Fund Financial Statements

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

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

Governmental Fund Financial Statements

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

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

J. Deferred Inflows of Resources

Although certain revenues are measurable, they are not available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay liabilities of the current period. Deferred inflows of resources at the fund level, represents the amount of assets that have been recognized, but the related revenue has not been recognized since it is not available. Deferred inflows of resources at the fund level consist of the succeeding year property tax revenue, Intergovernmental revenue, and other revenue not collected within sixty days after year-end.

K. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position are classified into three components:

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

Net position have been “restricted” for the following:

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

Fund Financial Statements (Fund Balances)

The Town uses the following criteria for fund balance classification:

- For *nonspendable* fund balance: includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- For *restricted* fund balance: when constraints placed on the use of the resources are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

- 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.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

M. Investment Income

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

Governmental Fund Financial Statements

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2014 is recorded in the governmental fund financial statement.

O. Use of Estimates

Government-Wide and Fund Financial Statements

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

P. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Basis of Accounting

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

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

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 2014 approved budget authorized \$59,793,480 in current year appropriations and other amounts to be raised and \$1,562,143 in articles carried forward from previous fiscal years. Supplemental appropriations of \$72,414 were approved at two Town Meetings for fiscal year 2014.

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

B. Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2014, is presented below:

Net change in fund balance - budgetary basis	\$	(364,335)
Basis of accounting differences:		
Net stabilization fund activity		16,918
Increase in revenue for on-behalf payments - MTRS		5,607,510
Increase in expenditures for on-behalf payments - MTRS		(5,607,510)
Adjustment for Current Year Encumbrances		502,305
Adjustment for Current Year Articles		792,328
Adjustment for expenditures from prior year encumbrances		<u>(568,348)</u>
Net change in fund balance - GAAP basis	\$	<u>378,868</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

C. Excess of Expenditures over Appropriations

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

D. Deficit Fund Balance

Several individual fund deficits exist within the special revenue, water and governmental capital project funds. These individual deficits will be eliminated through subsequent fiscal year budget transfers, grants and/or proceeds of long term debt during fiscal year 2015.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

Deposits

▪ *Custodial Credit Risk - Deposits*

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

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

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014:

Total bank balances		\$ 28,213,467
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	2,318,351	
Depositor's Insurance Fund (DIF)	5,398,031	
Shared Insurance Fund (SIF)	<u>6,890,803</u>	
 Total bank balances covered by deposit insurance		 14,607,185
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	2,876,007	
Bank balances uninsured & uncollateralized	<u>10,730,275</u>	
 Total bank balances subject to custodial credit risk		 <u>13,606,282</u>
Total bank balances		<u>\$ 28,213,467</u>

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).

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

Investment type	Fair value	Minimum Legal Rating	Rating as of Year End		
			AA	A-	Unrated
Corporate Bonds	\$ 159,690	N/A	\$ 49,782	\$ 109,907	\$ -
Common Stock	93,021	N/A	-	-	93,021
Fixed income mutual funds	1,194,469	N/A	-	-	1,194,469
Equity mutual funds	2,455,547	N/A	-	-	2,455,547
Money market mutual funds	27,490	N/A	-	-	27,490
Total Investments	\$ 3,930,217		\$ 49,782	\$ 109,907	\$ 3,770,527

- *Custodial Credit Risk*

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

- *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.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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	6-10
<i>Debt Related Securities:</i>			
Corporate bonds	\$ 159,690	\$ -	\$ 159,690
Fixed Income Mutual Funds	<u>1,194,469</u>	<u>1,194,469</u>	<u>-</u>
Total - Debt related securities	<u>1,354,159</u>	<u>1,194,469</u>	<u>159,690</u>
<i>Other Investments:</i>			
Equity mutual funds	2,455,547	2,455,547	-
Money market mutual funds	27,490	27,490	-
Common Stock	<u>93,021</u>	<u>93,021</u>	<u>-</u>
Total Other Investments	<u>2,576,058</u>	<u>2,576,058</u>	<u>-</u>
Total Investments	<u>\$ 3,930,217</u>	<u>\$ 3,770,527</u>	<u>\$ 159,690</u>

- ***Concentration of Credit Risk***

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

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 – RECEIVABLES

The receivables at June 30, 2014 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	\$ 330,170	\$ -	\$ 330,170
Personal property taxes	146,800	(114,300)	32,500
Real estate and personal property taxes	476,970	(114,300)	362,670
Tax liens	1,049,021	-	1,049,021
Motor vehicle excise taxes	242,952	(47,700)	195,252
Departmental and other	1,918,359	(1,040,549)	877,810
Intergovernmental	640,145	-	640,145
Total	<u>\$ 4,327,447</u>	<u>\$ (1,202,549)</u>	<u>\$ 3,124,898</u>

The receivables at June 30, 2014, for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water</i>			
User fees	\$ 1,908,602	\$ -	\$ 1,908,602
<i>Sewer</i>			
User fees	643,706	-	643,706
Total	<u>\$ 2,552,308</u>	<u>\$ -</u>	<u>\$ 2,552,308</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

Deferred Inflows of Resources Analysis

Deferred Inflows::	General Fund	Nonmajor Governmental Funds	Total
Deferred Property Taxes	\$ 1,510,106	\$ -	\$ 1,510,106
Deferred Other Revenue	2,900	874,909	877,809
Deferred Intergovernmental Revenue	15,620	-	15,620
Total	\$ 1,528,626	\$ 874,909	\$ 2,403,535

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases & Reclassifications	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 6,537,225	\$ -	\$ -	\$ 6,537,225
Construction in progress	10,242,823	-	(10,242,823)	-
Total capital assets not being depreciated	16,780,048	-	(10,242,823)	6,537,225
<i>Capital assets being depreciated:</i>				
Buildings and improvements	79,963,978	1,647,862	10,242,823	91,854,663
Capital improvements (other than buildings)	286,678	35,801	-	322,479
Machinery and equipment	3,899,815	572,872	-	4,472,687
Vehicles	9,959,257	1,558,629	(141,274)	11,376,612
Software	596,655	90,092	-	686,747
Infrastructure	20,150,534	1,631,986	-	21,782,520
Total capital assets being depreciated	114,856,917	5,537,242	10,101,549	130,495,708
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(29,040,542)	(2,265,814)	-	(31,306,356)
Capital improvements (other than buildings)	(141,472)	(19,962)	-	(161,434)
Machinery and equipment	(2,681,842)	(434,598)	-	(3,116,440)
Vehicles	(6,957,493)	(760,851)	141,274	(7,577,070)
Software	(551,895)	(61,853)	-	(613,748)
Infrastructure	(7,358,145)	(597,693)	-	(7,955,838)
Total accumulated depreciation	(46,731,389)	(4,140,771)	141,274	(50,730,886)
Total capital assets being depreciated, net	68,125,528	1,396,471	10,242,823	79,764,822
Total governmental activities capital assets, net	\$ 84,905,576	\$ 1,396,471	\$ -	\$ 86,302,047

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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	4,652,439	-	(4,652,439)	-
Total capital assets not being depreciated	5,344,721	-	(4,652,439)	692,282
<i>Capital assets being depreciated:</i>				
Machinery and equipment	1,313,873	483,840	-	1,797,713
Vehicles	349,526	-	-	349,526
Infrastructure	17,801,618	1,933,233	4,652,439	24,387,290
Total capital assets being depreciated	19,465,017	2,417,073	4,652,439	26,534,529
<i>Less accumulated depreciation for:</i>				
Machinery and equipment	(404,883)	(158,732)	-	(563,615)
Vehicles	(216,200)	(20,359)	-	(236,559)
Infrastructure	(5,823,909)	(616,714)	-	(6,440,623)
Total accumulated depreciation	(6,444,992)	(795,805)	-	(7,240,797)
Total capital assets being depreciated, net	13,020,025	1,621,268	4,652,439	19,293,732
Total business-type activities capital assets, net	\$ 18,364,746	\$ 1,621,268	\$ -	\$ 19,986,014

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

Governmental Activities:	
General government	\$ 98,908
Public safety	871,939
Education	1,852,164
Public works	774,140
Human services	23,373
Culture and recreation	<u>520,247</u>
Total depreciation expense - governmental activities	<u><u>\$ 4,140,771</u></u>
Business-Type Activities:	
Water	\$ 737,961
Sewer	<u>57,844</u>
Total depreciation expense - business-type activities	<u><u>\$ 795,805</u></u>

**TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2014, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:				Total	
	General Fund	Library Renovation Major Fund	Nonmajor Governmental Funds	Water Enterprise Fund		
Nonmajor Governmental Funds	\$ 699,557	\$ 380,000	\$ -	\$ -	\$ 1,079,557	(1)
General Fund	-	-	295,000	-	295,000	(1)
General Fund	-	-	-	32,272	32,272	(3)
Water Enterprise Fund	565,837	-	-	-	565,837	(2)
Sewer Enterprise Fund	90,398	-	-	-	90,398	(2)
Total	\$ 1,355,792	\$ 380,000	\$ 295,000	\$ 32,272	\$ 2,063,064	

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

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.

There were no short term borrowings in Fiscal 2014.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
High School renovation	3.35	\$ 8,840,000	\$ -	\$ 520,000	\$ 8,320,000
Library renovation	2.79	6,740,000	-	355,000	6,385,000
Title V	0.00	600,000	-	30,000	570,000
Title V	0.00	44,402	-	11,101	33,301
Landfill Closure	1.21	702,500	-	107,500	595,000
Senoir Center	1.21	124,000	-	34,000	90,000
School - Ahern Middle	1.21	607,000	-	72,000	535,000
Land Acquisition - Mill St.	1.21	833,000	-	78,000	755,000
School & Vehicles	3.84	2,697,000	-	227,000	2,470,000
Public Safety/Fire engines	3.84	5,028,000	-	478,000	4,550,000
Public Safety Building	4.02	3,150,000	-	225,000	2,925,000
Public Works	3.84	35,000	-	20,000	15,000
Total		\$ 29,400,902	\$ -	\$ 2,157,601	\$ 27,243,301

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2014 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,146,100	\$ 968,013	\$ 3,114,113
2016	2,061,101	898,699	2,959,800
2017	2,056,100	826,337	2,882,437
2018	2,000,000	752,600	2,752,600
2019	2,000,000	676,100	2,676,100
2020-2024	9,465,000	2,309,550	11,774,550
2025-2029	5,815,000	790,113	6,605,113
2030-2033	1,700,000	89,231	1,789,231
Total	\$ 27,243,301	\$ 7,310,643	\$ 34,553,944

Bonds and Notes Payable Schedule -Water and Sewer Enterprise Funds

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2013</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2014</u>
Sewer	Var.	\$ 125,135	\$ -	\$ 29,883	\$ 95,252
Sewer	Var.	35,000	-	5,000	30,000
Sewer	Var.	507,165	-	67,063	440,102
Sewer	3.86	120,000	-	10,000	110,000
Water		5,510,000	-	290,000	5,220,000
Water	2.00	3,548,361	-	190,072	3,358,289
Water Reuse	1.21	1,090,000	-	115,000	975,000
Water	1.21	1,713,500	-	178,500	1,535,000
Water	Var.	335,000	-	30,000	305,000
Water	Var.	24,678	-	1,655	23,023
Total		\$ 13,008,839	\$ -	\$ 917,173	\$ 12,091,666

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2014 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY 15	\$ 914,070	\$ 387,238	\$ 1,301,308
FY 16	923,127	359,785	1,282,912
FY 17	923,098	327,956	1,251,054
FY 18	903,651	291,711	1,195,362
FY 19	907,811	256,957	1,164,768
FY 20-24	3,956,857	833,107	4,789,964
FY 25-29	2,693,052	358,839	3,051,891
FY 30-32	<u>870,000</u>	<u>64,888</u>	<u>934,888</u>
Total	<u>\$ 12,091,666</u>	<u>\$ 2,880,481</u>	<u>\$ 14,972,147</u>

Loans Authorized and Unissued

As of June 30, 2014, 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	<u>70,000</u>
Total		<u>\$ 200,000</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds and notes payable	\$ 29,400,902	\$ -	\$ (2,157,601)	\$ 27,243,301	\$ 2,146,100
Compensated absences	1,445,841	12,872	-	1,458,713	489,810
Postemployment Benefits	13,418,868	770,934	-	14,189,802	-
Capital lease	233,813	-	(233,813)	-	-
Landfill postclosure care costs	592,000	-	(37,000)	555,000	37,000
 Total governmental activities long-term liabilities	 <u>\$ 45,091,424</u>	 <u>\$ 783,806</u>	 <u>\$ (2,428,414)</u>	 <u>\$ 43,446,816</u>	 <u>\$ 2,672,910</u>
 <u>Business-Type Activities:</u>	 <u>Beginning Balance</u>	 <u>Additions</u>	 <u>Reductions</u>	 <u>Ending Balance</u>	 <u>Current Portion</u>
Bonds and notes payable	\$ 13,008,839	\$ -	\$ (917,173)	\$ 12,091,666	\$ 914,070
Compensated absences	83,805	-	(6,455)	77,350	26,020
Postemployment Benefits	303,651	17,512	-	321,163	-
 Total business-type activities long-term liabilities	 <u>\$ 13,396,295</u>	 <u>\$ 17,512</u>	 <u>\$ (923,628)</u>	 <u>\$ 12,490,179</u>	 <u>\$ 940,090</u>

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

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014:

<u>Agency</u>	<u>Total Long-Term Debt Outstanding</u>	<u>Town's Estimated Share</u>	<u>Town's Indirect Debt</u>
Norfolk County	<u>\$ 12,625,000</u>	2.360%	<u>\$ 297,950</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, 2014, the total amount of conduit debt outstanding was \$42,485,000.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

	GENERAL FUND	LIBRARY RENOVATION MAJOR FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
Fund Balances				
Nonspendable:				
Permanent Fund Principal	\$ -	\$ -	\$ 172,565	\$ 172,565
Restricted For:				
General Government	-	-	158,483	158,483
Public Safety	-	-	1,781,056	1,781,056
Education	-	-	1,665,410	1,665,410
Public Works	-	-	77,490	77,490
Human Services	-	-	320,559	320,559
Culture & Recreation	-	535,553	849,096	1,384,649
Employee Benefits	-	-	1,269,801	1,269,801
Debt Service	640,921	-	-	640,921
Expendable Trust Funds	-	-	173,776	173,776
	<u>640,921</u>	<u>535,553</u>	<u>6,295,671</u>	<u>7,472,145</u>
Committed To:				
Continuing Appropriations				
General Government	500,124	-	-	500,124
Public Safety	41,754	-	-	41,754
Education	171,613	-	-	171,613
Public Works	78,837	-	-	78,837
	<u>792,328</u>	<u>-</u>	<u>-</u>	<u>792,328</u>
Assigned To:				
Encumbered For:				
General Government	73,171	-	-	73,171
Public Safety	9,600	-	-	9,600
Education	429,749	-	-	429,749
Public Works	14,635	-	-	14,635
Human Services	9,601	-	-	9,601
Culture & Recreation	180	-	-	180
Employee Benefits	15,519	-	-	15,519
Subsequent Years Expenditures	2,766,606	-	-	2,766,606
Capital Stabilization Fund	550,454	-	-	550,454
	<u>3,869,515</u>	<u>-</u>	<u>-</u>	<u>3,869,515</u>
Unassigned				
General Fund	5,811,042	-	-	5,811,042
General Fund Stabilization	3,055,162	-	-	3,055,162
Nonmajor Governmental Funds	-	-	(206,330)	(206,330)
Capital Projects				
Public Works	-	-	(55,263)	(55,263)
	<u>8,866,204</u>	<u>-</u>	<u>(261,593)</u>	<u>8,604,611</u>
Total Governmental Fund Balances	<u>\$ 14,168,968</u>	<u>\$ 535,553</u>	<u>\$ 6,206,643</u>	<u>\$ 20,911,164</u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 – STABILIZATION FUNDS

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

- *The Stabilization Fund* is used to account for any appropriation, as approved by a 2/3 vote at the annual or special town meeting for additions or reductions to the fund. Any interest shall be added to and become part of the fund. The Stabilization fund balance is \$3,055,162 as of June 30, 2014. The fund was established under chapter 40, sub-section 5B of the Massachusetts General Law.
- *The Capital Improvements Stabilization Fund* is used to account for appropriations funding the acquisition, repair, replacement, extension, reconstruction, enlarging and/or additions to capital equipment, vehicles, and apparatus of the Town and pay notes, bonds, or certificates of indebtedness issued to pay for the cost of such acquisition, repair, replacement, extension, reconstruction, enlarging and additions. The Capital Improvements Stabilization fund balance is \$550,454 as of June 30, 2014. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established under Chapter 40 sub-section 5B of MGL.

NOTE 11 – RISK FINANCING

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

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

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

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2014.

The Town has several contributory health care options. There are 715 employees and retirees who participate in the Town's health care programs. The Town contributes 50% of the costs for the full indemnity plan and supplementary Medicare insurance. The Town contributes 70% of the costs for managed care costs and 50 % of the costs for retirees not eligible for medicare.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12. 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 Postemployment 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 2014, the estimated total Town premiums plus implicit costs for the retiree medical program are \$1,891,922.

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)	\$	4,017,743
Interest on Net OPEB Obligation		788,700
ARC Adjustment		(917,239)
Amortization of Actuarial (Gains)/Losses		<u>(1,208,836)</u>
Annual OPEB Cost (expense)		2,680,368
Contributions made		<u>(1,891,922)</u>
Increase in net OPEB obligation		788,446
Net OPEB Obligation - beginning of year		<u>13,722,519</u>
Net OPEB Obligation - end of year	\$	<u><u>14,510,965</u></u>

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the five preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Increase in Net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 5,095,788	21.31%	\$ 4,009,801	\$ 4,009,801
6/30/2010	\$ 5,393,311	47.09%	\$ 2,853,492	\$ 6,863,293
6/30/2011	\$ 4,655,786	40.65%	\$ 2,763,011	\$ 9,626,304
6/30/2012	\$ 4,964,542	33.08%	\$ 3,322,449	\$ 12,948,753
6/30/2013	\$ 2,494,174	68.98%	\$ 773,766	\$ 13,722,519
6/30/2014	\$ 2,680,368	70.58%	\$ 788,446	\$ 14,510,965

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

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

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

In the June 30, 2013, actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, the normal cost and actuarial liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ratio of past service to total service. The actuarial assumptions included a 5.75% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.00% percent graded down to 5.00% over two years. The actuarial value of assets was determined using market value. The UAAL is being amortized as a level dollar amount over 30 years at transition. The remaining amortization period at July 1, 2014, was 24 years.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 13 – PENSION PLANS

A. Plan Descriptions

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

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

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

B. Funding Policies

Norfolk County Contributory Retirement System

Plan members are required to contribute to the “System” at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the “System”, its share of the remaining system-wide, actuarially determined, contribution plus administration costs, which are apportioned among the employers, based on active covered payroll. The Commonwealth of Massachusetts reimburses the “system” for a portion of the benefit payments for the cost of living increases. The contributions to the “System” for years ended June 30, 2014, 2013, and 2012 were \$2,595,996, \$2,492,582, and \$2,375,116, respectively, which were equal to its required contributions for each of these years.

Massachusetts Teachers’ Retirement System

Plan members (at varying rates of annual covered compensation) and the Commonwealth of Massachusetts fund contributions to the MTRS. The Commonwealth of Massachusetts contributed “on-behalf” payments to the MTRS totaling \$5,607,510 for fiscal year 2014. 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, 2014

NOTE 14 – 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, 2014, 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 (15 years remaining), and the estimated liability has been recorded in the Statement of Net Position, Governmental Activities. The \$555,000 reported as landfill post-closure liability at June 30, 2014 is based on what it would cost to perform all post-closure care costs at June 30, 2014. 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, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

TOWN OF FOXBOROUGH, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2014, the following GASB pronouncements were implemented:

The GASB issued **Statement #65**, *Items previously reported as Assets and Liabilities*, was implemented in fiscal year 2014. This pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #66**, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, was implemented in fiscal year 2014. This pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #67**, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*, was implemented in fiscal year 2014. This pronouncement requires no additional disclosure and will not impact the basic financial statements.

Future GASB Pronouncements:

The GASB issued **Statement #68**, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the basic financial statements.

The GASB issued **Statement #69**, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #70**, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #71**, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the basic financial statements.

**TOWN OF FOXBOROUGH, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
NORFOLK COUNTY REGIONAL RETIREMENT SYSTEM
JUNE 30, 2014**

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

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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]
1/1/2014	\$ 696,682,779	\$ 1,247,596,772	\$ 550,913,993	55.8%	\$246,722,941	223.3%
1/1/2012	608,235,096	1,128,960,288	520,725,192	53.9%	229,095,409	227.3%
1/1/2010	600,790,835	1,001,881,055	401,090,220	60.0%	223,332,595	179.6%
1/1/2008	596,157,147	907,719,124	311,561,977	65.7%	223,814,977	139.2%
1/1/2007	533,077,948	855,677,413	322,599,465	62.3%	219,620,865	146.9%
1/1/2005	467,186,566	762,900,650	295,714,084	61.2%	196,639,163	150.4%
1/1/2003	415,150,776	675,275,257	260,124,481	61.5%	185,281,985	140.4%
1/1/2000	371,646,793	533,959,970	162,313,177	69.6%	163,542,978	99.2%
1/1/1997	258,771,070	392,463,080	133,692,010	65.9%	126,219,194	105.9%
1/1/1993	151,546,609	291,472,940	139,926,331	52.0%	107,482,975	130.2%

Schedule of Employer Contributions

Fiscal Year Ended June 30	System Wide			Town of Foxborough	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2014	\$ 42,461,369	\$ 42,461,369	100%	\$ 2,595,996	6.11%
2013	44,800,000	44,800,000	100%	2,492,582	5.56%
2012	42,714,639	42,714,639	100%	2,375,116	5.56%
2011	41,206,587	41,206,587	100%	2,201,277	5.34%
2010	39,749,857	39,749,857	100%	2,121,371	5.34%
2009	38,920,499	38,920,499	100%	1,895,766	4.87%
2008	33,104,903	33,104,903	100%	1,630,866	4.93%
2007	32,877,890	32,877,890	100%	1,594,152	4.85%
2006	31,755,708	31,755,708	100%	1,508,491	4.75%
2005	28,238,996	28,238,996	100%	1,250,361	4.43%

**TOWN OF FOXBOROUGH, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2014**

Schedules of Funding Progress and Employer Contributions

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
7/1/2008	\$ -	\$ 62,192,355	\$ 62,192,355	0.00%	\$ 29,236,861	212.7%
6/30/2011	\$ 1,874,546	\$ 54,227,260	\$ 52,352,714	3.46%	\$ 30,785,506	170.1%
6/30/2013	\$ 2,816,337	\$ 33,731,851	\$ 30,915,514	8.35%	\$ 34,778,502	88.9%

Schedule of Employer Contributions:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed *	Increase in OPEB Obligation	Net OPEB Obligation
2009	\$ 5,095,788	21.31%	\$ 4,009,801	\$ 4,009,801
2010	\$ 5,393,311	47.09%	\$ 6,863,293	\$ 6,863,293
2011	\$ 4,655,786	40.65%	\$ 2,763,011	\$ 9,626,304
2012	\$ 4,964,542	33.08%	\$ 3,322,449	\$ 12,948,753
2013	\$ 2,494,174	68.98%	\$ 773,766	\$ 13,722,519
2014	\$ 2,680,368	70.58%	\$ 788,446	\$ 14,510,965

* Based on expected premium payments.

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

Valuation date	June 30, 2013
Discount Rate	5.75%
Medical Trend	5.0 %
Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level dollar amount over 30 years at transition
Remaining Amortization Period	24
Mortality	RP-2000 Table for males RP-2000 Table for females

**TOWN OF FOXBOROUGH, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2014**

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

Medical Plan Participants:

Current retirees, beneficiaries, and dependants	300
Current active members/participants	<u>596</u>
Total	<u><u>896</u></u>