

TOWN OF STOUGHTON, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2010

**TOWN OF STOUGHTON, MASSACHUSETTS
REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 – 2
Management's Discussion and Analysis	3 – 12
Basic Financial Statements	
Statement of Net Assets	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 Assets	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 Assets	21
Proprietary Funds – Statement of Revenues, Expenses, and Changes in Fund Net Assets	22
Proprietary Funds – Statement of Cash Flows	23
Fiduciary Funds – Statement of Fiduciary Net Assets	24
Fiduciary Funds – Statement of Changes in Fiduciary Net Assets	25
Notes to Basic Financial Statements	26 – 58
Required Supplementary Information:	
Other Post Employment Benefits – Schedules of Funding Progress and Employer Contributions	59– 60

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 AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Stoughton, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stoughton, Massachusetts as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Stoughton, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stoughton, Massachusetts, as of June 30, 2010, and the respective changes in financial position, and, where applicable, cash flow thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2011, on our consideration of the Town of Stoughton, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages **3** through **12**, and other post employment benefits information: schedules of funding progress and employer contributions on pages **59** through **60** are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

R. E. Brown & Company

April 14, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Stoughton (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, 2010. 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 is the only way users can assess the financial condition of one government compared to others.

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 comprise three components:

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

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

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

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

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 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 Stoughton 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

The Town maintains two types of proprietary funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Under GASB 34, a fund must be reported as an enterprise fund if it meets one of the following criteria:

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees from that activity.
2. Laws or regulations require that the activities' costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The Town has six funds that meet at least one of the criteria listed above:

- *Water Enterprise Fund* accounts for the activity of supplying water to residents and businesses.
- *Sewer Enterprise Fund* accounts for the sewer activity of the Town.
- *Cedar Hill Fund* accounts for the activity of the Cedar Hill Golf Course.
- *Public Health Fund* accounts for the activities of the Stoughton Visiting Nurses Association and administration of various public health clinics.
- *Ambulance Fund* accounts for Town's emergency medical and rescue activities.
- *Sanitation Fund* accounts for the trash and recycling collection and disposal activities of the Town. This fund is not a legally recognized enterprise fund under MGL Chapter 44 § 53F½, however, it must be reported as an enterprise fund under GASB 34 since it meets at least one of the aforementioned criteria.

Internal Service Funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town uses internal service funds to account for health claims and expenses and workers compensation claims and expenses. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because 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. The Town has two types of fiduciary funds:

Private-Purpose Trust Funds report resources held and administered by the Town acting in a fiduciary capacity for individuals, private organizations or other governments. These funds are generally characterized by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Agency Funds are used to account for those funds for which the Town is acting in a custodial capacity for other governmental units or private entities. These funds are held for a period of time depending upon contractual or other legal requirements, and then returned to their owners or to some other party that is entitled to receive resources.

NOTES TO THE 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 below summarizes key financial components of the Town's Statement of Net Assets.

Town of Stoughton - Condensed Statement of Net Assets						
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Assets:						
Current assets	\$ 22,473,002	\$ 19,057,303	\$ 8,657,139	\$ 8,467,845	\$ 31,130,141	\$ 27,525,148
Noncurrent assets (excluding capital)	2,391,199	2,651,351	98,739	107,116	2,489,938	2,758,467
Capital Assets (net of accumulated depreciation)	46,895,563	46,978,430	21,289,401	21,444,896	68,184,964	68,423,326
Total assets	<u>71,759,764</u>	<u>68,687,084</u>	<u>30,045,279</u>	<u>30,019,857</u>	<u>101,805,043</u>	<u>98,706,941</u>
Liabilities:						
Current liabilities (excluding debt)	8,988,966	9,043,652	563,560	601,003	9,552,526	9,644,655
Noncurrent liabilities (excluding debt)	5,971,835	1,962,348	1,267,053	651,535	7,238,888	2,613,883
Current debt	5,285,230	4,061,979	2,511,474	2,130,217	7,796,704	6,192,196
Noncurrent debt	13,831,545	15,846,775	11,187,658	12,396,132	25,019,203	28,242,907
Total liabilities	<u>34,077,576</u>	<u>30,914,754</u>	<u>15,529,745</u>	<u>15,778,887</u>	<u>49,607,321</u>	<u>46,693,641</u>
Net Assets:						
Invested in capital assets net of related debt	28,552,551	27,926,521	11,547,730	11,122,056	40,100,281	39,048,577
Restricted	4,733,237	4,208,094	-	-	4,733,237	4,208,094
Unrestricted	4,396,400	5,637,715	2,967,804	3,118,914	7,364,204	8,756,629
Total net assets	<u>\$ 37,682,188</u>	<u>\$ 37,772,330</u>	<u>\$ 14,515,534</u>	<u>\$ 14,240,970</u>	<u>\$ 52,197,722</u>	<u>\$ 52,013,300</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$52,197,722 at the close of fiscal year 2010, an increase of \$184,422 or .35%, over the net assets amount at June 30, 2009.

Net assets of \$40,100,281 (76.82% of total) reflect the Town's investment in capital assets (e.g., land, buildings, capital improvements other than buildings, machinery and equipment, vehicles, infrastructure, and construction in progress) less any related debt used to acquire those assets that remains outstanding. The Town uses these capital assets to provide services to citizens; consequently these assets *are not* available for future spending. Although the investment in its 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.

An additional portion of the net assets totaling \$4,733,237 (9.07% of total) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* totaling \$7,364,204 (14.11% of total) may be used to meet the government's ongoing obligations to its citizens and creditors.

As of June 30, 2010, the Town is able to report positive balances in both governmental and business-type activities' net assets.

The chart below highlights key components of the Town's Statement of Activities.

Town of Stoughton - Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Revenues						
<i>Program Revenues:</i>						
Charges for services	\$ 5,631,429	\$ 5,528,770	\$ 12,024,664	\$ 12,151,177	\$ 17,656,093	\$ 17,679,947
Operating grants and contributions	26,785,635	25,336,456	290,917	371,091	27,076,552	25,707,547
Capital grants and contributions	434,493	626,595	266,026	193,993	700,519	820,588
<i>General Revenues:</i>						
Real Estate and personal property taxes	47,044,729	44,428,690	-	-	47,044,729	44,428,690
Motor vehicle excise taxes	2,816,730	3,255,601	-	-	2,816,730	3,255,601
Nonrestricted grants and contributions	4,962,231	5,430,552	-	-	4,962,231	5,430,552
Unrestricted investment income	91,792	140,446	-	-	91,792	140,446
Legal settlement	438,805	628,377	-	-	438,805	628,377
Other revenues	1,484,502	1,631,288	-	-	1,484,502	1,631,288
Total Revenues	89,690,346	87,006,775	12,581,607	12,716,261	102,271,953	99,723,036
Expenses:						
General Government	2,668,192	2,772,968	-	-	2,668,192	2,772,968
Public Safety	8,333,672	8,377,065	-	-	8,333,672	8,377,065
Education	41,722,013	42,501,058	-	-	41,722,013	42,501,058
Public Works	3,011,824	3,321,432	-	-	3,011,824	3,321,432
Human Services	1,072,384	1,090,713	-	-	1,072,384	1,090,713
Culture and Recreation	1,471,522	1,647,405	-	-	1,471,522	1,647,405
Employee Benefits	26,057,346	26,142,339	-	-	26,057,346	26,142,339
State and County Assessments	2,843,832	2,790,027	-	-	2,843,832	2,790,027
Interest	746,432	882,778	-	-	746,432	882,778
Water	-	-	3,962,677	4,066,593	3,962,677	4,066,593
Sewer	-	-	6,018,088	5,703,045	6,018,088	5,703,045
Other business-type	-	-	4,179,549	4,176,563	4,179,549	4,176,563
Total Expenses	87,927,217	89,525,785	14,160,314	13,946,201	102,087,531	103,471,986
Increase (Decrease) in Net Assets before transfers	1,763,129	(2,519,010)	(1,578,707)	(1,229,940)	184,422	(3,748,950)
Transfers	(1,853,271)	(1,152,350)	1,853,271	1,152,350	-	-
Change in Net Assets	(90,142)	(3,671,360)	274,564	(77,590)	184,422	(3,748,950)
Net Assets - beginning	37,772,330	41,443,690	14,240,970	14,318,560	52,013,300	55,762,250
Net Assets - ending	\$ 37,682,188	\$ 37,772,330	\$ 14,515,534	\$ 14,240,970	\$ 52,197,722	\$ 52,013,300

The governmental activities net assets decreased by (\$90,142) or (.24%) during the current fiscal year. Property taxes realized a normal increase but there were decreases in motor vehicle excise taxes, unrestricted grants and investment income. Business-type activities net assets increased by \$274,564 or 1.9 %. Included in this amount are transfers from governmental activities in the amount of \$1,853,271.

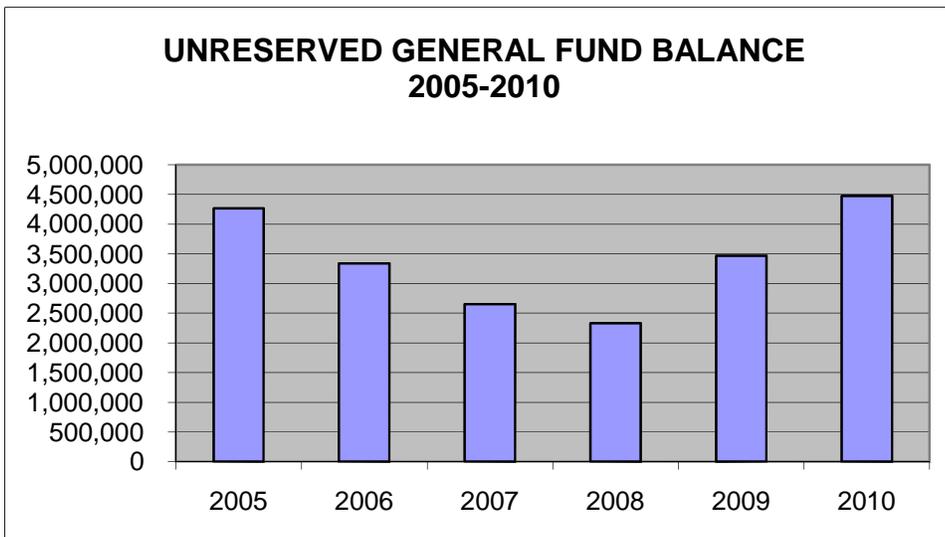
Financial analysis of the Government's Funds

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

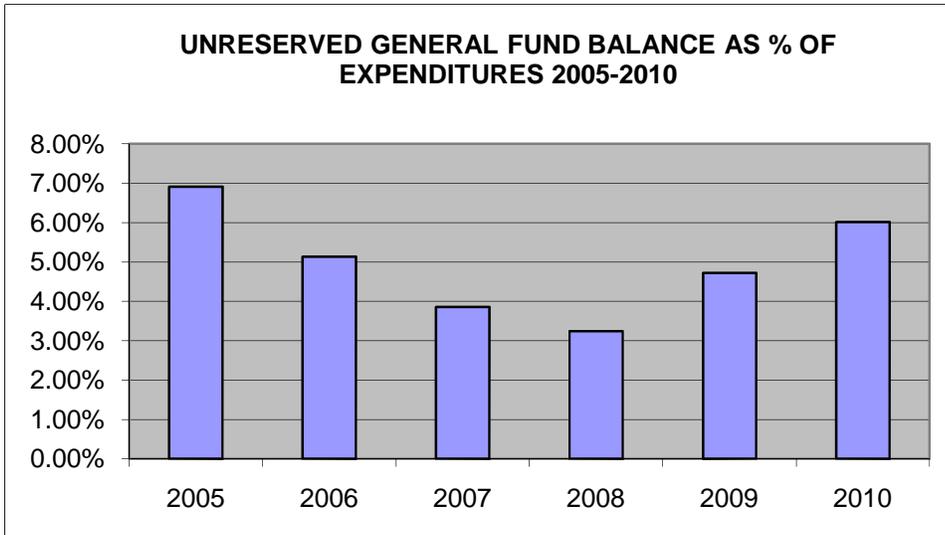
Governmental Funds – The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$6,883,707, an increase of \$262,346 over the prior year, primarily due favorable activity in the General Fund.

The General Fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the General Fund increased from \$3,468,692 to 4,475,712 (29%), while total fund balance increased from \$3,650,203 to 4,856,480 (33%). The Town is committed to staying within the property tax levy limits of Proposition 2 ½. Consequently, it will draw upon available fund balance when necessary in order to maintain essential services to its residents.



As a measure of the General Fund’s liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance at June 30, 2010 represents 6.01% of total General Fund expenditures, while total fund balance represents 6.52% of that same amount.



General Fund revenues for FY2010 were \$77,148,634 with property taxes (\$46,765,824) and intergovernmental (\$24,119,915) constituting the major components of the Town’s revenue sources. General Fund expenditures were \$74,446,092 for FY2010 with education (\$35,151,508) and employee benefits (\$18,915,495) the major elements. There were also one-time legal settlement proceeds received in the amount of \$438,805.

The Stabilization Fund has an accumulated fund balance of \$644,853, which represents .87% of General Fund expenditures. These funds can be used for general or capital purposes upon two-thirds vote of town meeting.

Proprietary Funds There was an increase in net assets of \$74,437 in the Sewer Fund during the year, from \$8,465,382 to 8,539,819. The Sewer Commissioners (Board of Selectmen) review the operating results at the end of each fiscal year and hold a rate hearing. In July 2010, the Commissioners voted a rate increase of 10% for FY2011.

Water Fund net assets increased by \$132,647 from \$2,224,572 to 2,357,219. In July 2010, the Commissioners voted to increase the water rates by 3.0% for FY2011.

Net assets of other enterprise funds (Cedar Hill, Public Health, Ambulance and Sanitation) increased in the aggregate by \$67,480.

General Fund Budget Highlights

The original budget was increased at a special town meeting by a total of \$225,096, primarily due to the required accrual of an additional payroll period. Total actual revenues received were less than budgeted, mainly because of decreased motor vehicle excise collections. Overall, the Town’s general fund revenue was (\$454,261) less than budgeted. However, actual Town General Fund expenditures were \$2,470,478 less than budgeted.

Capital Asset and Debt Administration

In conjunction with the operating budget, the Town annually authorizes various capital outlay purchases and projects. These are generally in the form of continuing appropriations, which could span several fiscal years until completed or otherwise closed by the department head or town meeting.

The Town’s investment in capital assets for governmental and business-type activities as of June 30, 2010, amounts to \$68,184,964, net of accumulated depreciation. The investment in capital assets includes land, buildings, capital improvements (other than buildings), machinery and equipment, vehicles, infrastructure and construction in progress. Refer to **Notes 1(G) and 5** for additional information.

**Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Land	\$ 11,411,701	\$ 11,411,701	\$ 882,079	\$ 882,079	\$ 12,293,780	\$ 12,293,780
Buildings	19,946,954	20,807,592	1,442,837	1,498,445	21,389,791	22,306,037
Capital Improvements (other than buildings)	290,348	213,911	-	-	290,348	213,911
Machinery and Equipment	830,427	794,503	243,360	280,436	1,073,787	1,074,939
Vehicles	1,564,689	1,275,282	707,710	765,200	2,272,399	2,040,482
Infrastructure	12,422,795	11,270,469	17,338,856	17,382,782	29,761,651	28,653,251
Construction in Progress	428,649	1,204,972	674,559	635,954	1,103,208	1,840,926
Total Capital Assets	\$ 46,895,563	\$ 46,978,430	\$ 21,289,401	\$ 21,444,896	\$ 68,184,964	\$ 68,423,326

The Town's debt burden is reasonable in relation to other communities its size. Outstanding long-term debt, as of June 30, 2010, totaled \$28,317,907. The Town has obtained a grant from the Massachusetts School Building Authority (MSBA), which is reimbursing the Town annually for a portion of the debt service costs of its completed O'Donnell Middle School project. The reimbursement rate is 70% and the remaining balance of the grant is \$2,445,134 at June 30, 2010.

Long-term debt consists of the following:

Golf Projects	\$	63,000
Sewer Projects		2,644,300
Water Projects		9,464,832
Ambulance		227,000
Governmental		15,918,775
		<u>\$ 28,317,907</u>

All issues are general obligations of the Town. Sewer, Water, Golf, and Ambulance debt service is supported by revenues from those funds.

Economic Factors and Next Year's Budget and Rates

The development of the fiscal year 2011 general fund operating budget was influenced by four major factors: employee benefits costs, contractual salary increases, state aid and the limitations on the property tax levy imposed by Proposition 2 ½.

The Town is self-insured for its health benefits with an internal service fund. Employees contribute in varying amounts through a payroll deduction and the Town contributes through an annual appropriation. The deduction rates and the appropriation are set each year after a recommendation from a benefits consultant. Health claims are then paid from this internal service fund. The Town's appropriation increased from \$6,825,766 in FY2010 to \$7,405,956 in FY2011, an increase of 8.5%. The balance of claims, if any, in excess of the amounts contributed, will be drawn from the reserves of the fund. The Town's assessment from the Norfolk County Retirement Fund increased from \$3,080,036 in FY2010 to \$3,195,871 in FY2011, or 3.8%.

All collective bargaining agreements, except for the police unions, were settled at the end of 2010. Annual salary increases average 2-3%. Tentative agreements were reached with both unions in April, 2011.

In fiscal year 2011, the Commonwealth of Massachusetts is providing the Town with \$15,390,776 in state aid and assessed the Town for \$2,762,517, resulting in a net decrease of (\$299,342), or 2.3% over the net amount during FY2010.

Property taxes in Massachusetts municipalities are limited to an annual levy growth of 2 ½ percent plus a factor for new construction, unless the Board of Selectmen decide to present a referendum to the voters to exceed this limit and this referendum is subsequently approved by the voters.

Citing multiple years of declining reserves and revenue-raising constraints, Moody's Investor Services downgraded the Town's bond rating from A2 to A3 during June, 2009. This was reclassified to an A1 during June, 2010. The Town has joined the Massachusetts State Qualified Bond Program (rating Aa3) for enhanced security. The State Treasurer makes debt service payments on qualified issues and withholds these amounts from the Town's local aid payments.

Request for information

This financial report is designed to provide a general overview of the Town of Stoughton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Town Accountant, Stoughton Town Hall, 10 Pearl St., Stoughton, MA 02072.

**TOWN OF STOUGHTON, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 15,572,710	\$ 7,135,797	\$ 22,708,507
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	1,336,140	-	1,336,140
TAX LIENS	2,254,385	-	2,254,385
MOTOR VEHICLE EXCISE TAXES	591,985	-	591,985
USER FEES	-	1,510,298	1,510,298
DEPARTMENTAL AND OTHER	786,920	-	786,920
INTERGOVERNMENTAL	1,425,461	-	1,425,461
DEFERRED AMOUNT ON REFUNDING	30,066	11,044	41,110
OTHER ASSETS	475,335	-	475,335
NONCURRENT:			
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
INTERGOVERNMENTAL	2,139,492	-	2,139,492
DEFERRED AMOUNT ON REFUNDING	251,707	98,739	350,446
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	46,895,563	21,289,401	68,184,964
TOTAL ASSETS	<u>71,759,764</u>	<u>30,045,279</u>	<u>101,805,043</u>
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	2,232,660	350,277	2,582,937
ACCRUED LIABILITIES	733,197	-	733,197
HEALTH CLAIMS PAYABLE	825,678	-	825,678
OTHER LIABILITIES	667,283	-	667,283
ACCRUED INTEREST	102,810	90,238	193,048
BONDS AND NOTES PAYABLE	5,285,230	2,511,474	7,796,704
COMPENSATED ABSENCES	350,837	67,238	418,075
POSTEMPLOYMENT BENEFITS	4,076,501	55,807	4,132,308
NONCURRENT:			
BONDS AND NOTES PAYABLE	13,831,545	11,187,658	25,019,203
COMPENSATED ABSENCES	1,357,844	120,343	1,478,187
POSTEMPLOYMENT BENEFITS	4,613,991	1,146,710	5,760,701
TOTAL LIABILITIES	<u>34,077,576</u>	<u>15,529,745</u>	<u>49,607,321</u>
<u>NET ASSETS</u>			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	28,552,551	11,547,730	40,100,281
RESTRICTED FOR:			
STREETS	771,382	-	771,382
PERMANENT FUNDS:			
EXPENDABLE	109,647	-	109,647
NONEXPENDABLE	82,409	-	82,409
OTHER PURPOSES	3,769,799	-	3,769,799
UNRESTRICTED	4,396,400	2,967,804	7,364,204
TOTAL NET ASSETS	<u>\$ 37,682,188</u>	<u>\$ 14,515,534</u>	<u>\$ 52,197,722</u>

See accompanying notes to the basic financial statements

**TOWN OF STOUGHTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2010**

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	PROGRAM REVENUES		<u>NET (EXPENSE) REVENUE</u>	
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>		<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 2,668,192	\$ 243,284	\$ 48,399	\$ -	\$ (2,376,509)
PUBLIC SAFETY	8,333,672	650,295	260,692	-	(7,422,685)
EDUCATION	41,722,013	1,671,460	16,248,224	-	(23,802,329)
PUBLIC WORKS	3,011,824	1,017	177,527	434,493	(2,398,787)
HUMAN SERVICES	1,072,384	60,558	308,407	-	(703,419)
CULTURE & RECREATION	1,471,522	100,404	78,599	-	(1,292,519)
EMPLOYEE BENEFITS	26,057,346	2,904,411	9,663,787	-	(13,489,148)
STATE & COUNTY ASSESSMENTS	2,843,832	-	-	-	(2,843,832)
INTEREST	746,432	-	-	-	(746,432)
TOTAL GOVERNMENTAL ACTIVITIES	87,927,217	5,631,429	26,785,635	434,493	(55,075,660)
BUSINESS-TYPE ACTIVITIES:					
WATER	3,962,677	3,188,021	156,196	102,406	(516,054)
SEWER	6,018,088	4,983,034	50,814	163,620	(820,620)
OTHER	4,179,549	3,853,609	83,907	-	(242,033)
TOTAL BUSINESS-TYPE ACTIVITIES	14,160,314	12,024,664	290,917	266,026	(1,578,707)
TOTAL PRIMARY GOVERNMENT	\$ 102,087,531	\$ 17,656,093	\$ 27,076,552	\$ 700,519	\$ (56,654,367)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF STOUGHTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2010**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET ASSETS:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (55,075,660)	\$ (1,578,707)	\$ (56,654,367)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	47,044,729	-	47,044,729
MOTOR VEHICLE EXCISE TAXES	2,816,730	-	2,816,730
HOTEL/MOTEL TAX	132,160	-	132,160
PENALTIES AND INTEREST ON TAXES	390,852	-	390,852
PAYMENTS IN LIEU OF TAXES	844,485	-	844,485
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	4,962,231	-	4,962,231
UNRESTRICTED INVESTMENT INCOME	91,792	-	91,792
LEGAL SETTLEMENT	438,805	-	438,805
MISCELLANEOUS	117,005	-	117,005
TRANSFERS, NET	(1,853,271)	1,853,271	-
TOTAL GENERAL REVENUES AND TRANSFERS	54,985,518	1,853,271	56,838,789
CHANGE IN NET ASSETS	(90,142)	274,564	184,422
NET ASSETS:			
BEGINNING OF YEAR	37,772,330	14,240,970	52,013,300
END OF YEAR	\$ 37,682,188	\$ 14,515,534	\$ 52,197,722

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF STOUGHTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010**

<u>ASSETS</u>	<u>GENERAL</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
CASH AND SHORT-TERM INVESTMENTS	\$ 7,595,440	\$ 5,582,760	\$ 13,178,200
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	1,336,140	-	1,336,140
TAX LIENS	2,254,385	-	2,254,385
MOTOR VEHICLE EXCISE TAXES	591,985	-	591,985
DEPARTMENTAL AND OTHER	236,688	22,972	259,660
INTERGOVERNMENTAL	2,541,322	1,023,631	3,564,953
OTHER ASSETS	311	-	311
TOTAL ASSETS	\$ 14,556,271	\$ 6,629,363	\$ 21,185,634
 <u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
ACCOUNTS PAYABLE	\$ 1,894,269	\$ 338,391	\$ 2,232,660
ACCRUED LIABILITIES	733,197	-	733,197
OTHER LIABILITIES	395,892	271,391	667,283
DEFERRED REVENUES	6,676,433	794,354	7,470,787
NOTES PAYABLE	-	3,198,000	3,198,000
TOTAL LIABILITIES	9,699,791	4,602,136	14,301,927
FUND BALANCES:			
RESERVED FOR:			
ENCUMBRANCES AND CONTINUING APPROPRIATIONS	380,768	-	380,768
PERPETUAL PERMANENT FUNDS	-	82,409	82,409
UNRESERVED			
DESIGNATED FOR SUBSEQUENT YEARS' EXPENDITURES	920,494	-	920,494
UNDESIGNATED, REPORTED IN:			
GENERAL FUND	3,555,218	-	3,555,218
SPECIAL REVENUE FUNDS	-	4,541,181	4,541,181
CAPITAL PROJECTS FUNDS	-	(2,706,010)	(2,706,010)
PERMANENT FUNDS	-	109,647	109,647
TOTAL FUND BALANCES	4,856,480	2,027,227	6,883,707
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,556,271	\$ 6,629,363	\$ 21,185,634

See accompanying notes to the basic financial statements

**TOWN OF STOUGHTON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2010**

	<u>GENERAL</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES:</u>			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 46,765,824	\$ -	\$ 46,765,824
MOTOR VEHICLE EXCISE TAXES	2,584,246	-	2,584,246
PENALTIES AND INTEREST ON TAXES	390,852	-	390,852
INTERGOVERNMENTAL CHARGES FOR SERVICES	24,119,915	4,785,122	28,905,037
HOTEL/MOTEL OCCUPANCY TAX	132,160	-	132,160
PAYMENTS IN LIEU OF TAXES	45,636	798,849	844,485
INVESTMENT INCOME	61,011	9,535	70,546
CONTRIBUTIONS & DONATIONS	-	85,362	85,362
LEGAL SETTLEMENT	438,805	-	438,805
DEPARTMENTAL AND OTHER	2,610,185	608,605	3,218,790
TOTAL REVENUES	<u>77,148,634</u>	<u>7,892,697</u>	<u>85,041,331</u>
<u>EXPENDITURES:</u>			
CURRENT:			
GENERAL GOVERNMENT	2,563,532	43,748	2,607,280
PUBLIC SAFETY	7,693,423	961,950	8,655,373
EDUCATION	35,151,508	6,125,133	41,276,641
PUBLIC WORKS	2,169,548	1,023,433	3,192,981
HUMAN SERVICES	906,230	123,208	1,029,438
CULTURE & RECREATION	1,276,981	196,104	1,473,085
EMPLOYEE BENEFITS	18,915,495	-	18,915,495
STATE & COUNTY ASSESSMENTS	2,843,832	-	2,843,832
DEBT SERVICE			
PRINCIPAL	2,169,979	-	2,169,979
INTEREST	755,564	6,046	761,610
TOTAL EXPENDITURES	<u>74,446,092</u>	<u>8,479,622</u>	<u>82,925,714</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,702,542</u>	<u>(586,925)</u>	<u>2,115,617</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
PROCEEDS FROM REFUNDING BONDS	3,605,000	-	3,605,000
BOND REFUNDING COSTS NET OF PREMIUM	(30,652)	-	(30,652)
PAYMENTS TO REFUNDED BOND ESCROW AGENT	(3,574,348)	-	(3,574,348)
OPERATING TRANSFERS IN	263,014	302,370	565,384
OPERATING TRANSFERS OUT	(1,759,279)	(659,376)	(2,418,655)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,496,265)</u>	<u>(357,006)</u>	<u>(1,853,271)</u>
NET CHANGE IN FUND BALANCES	1,206,277	(943,931)	262,346
FUND BALANCES AT BEGINNING OF YEAR	<u>3,650,203</u>	<u>2,971,158</u>	<u>6,621,361</u>
FUND BALANCES AT END OF YEAR	<u>\$ 4,856,480</u>	<u>\$ 2,027,227</u>	<u>\$ 6,883,707</u>

See accompanying notes to the basic financial statements

**TOWN OF STOUGHTON, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2010**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 6,883,707
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		46,895,563
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		7,470,787
INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO ACCOUNT FOR HEALTH INSURANCE AND WORKMEN'S COMPENSATION ACTIVITIES.		
THE ASSETS AND LIABILITIES OF THE INTERNAL SERVICE FUNDS ARE INCLUDED IN THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS		2,571,116
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(102,810)
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	(15,918,775)	
DEFERRED AMOUNT ON BOND REFUNDING	281,773	
COMPENSATED ABSENCES	(1,708,681)	
POSTEMPLOYMENT BENEFITS	<u>(8,690,492)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(26,036,175)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 37,682,188</u>

See accompanying notes to the basic financial statements

**TOWN OF STOUGHTON, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2010**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 262,346
<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	1,884,167	
DEPRECIATION EXPENSE	<u>(1,967,034)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		(82,867)
<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>		
		200,168
<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>		
PROCEEDS FROM REFUNDING BONDS	3,605,000	
PAYMENTS TO REFUNDED BOND ESCROW AGENT	(3,574,348)	
COSTS OF ISSUANCE NETTED FROM REFUNDING BOND PROCEEDS	(30,652)	
DEBT SERVICE PRINCIPAL PAYMENTS	2,084,979	
DEFERRED AMOUNT ON REFUNDING	85,000	
AMORTIZATION OF DEFERRED AMOUNT ON BOND REFUNDING	<u>(30,066)</u>	
NET EFFECT OF REPORTING LONG-TERM DEBT		2,139,913
<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	(53,612)	
NET CHANGE IN POSTEMPLOYMENT BENEFITS	(4,382,490)	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	45,244	
NET CHANGE IN CAPITAL LEASE	<u>38,058</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		(4,352,800)
<p>INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO ACCOUNT FOR HEALTH INSURANCE AND WORKERS' COMPENSATION ACTIVITIES</p>		
THE NET ACTIVITY OF INTERNAL SERVICE FUNDS IS REPORTED WITH GOVERNMENTAL ACTIVITIES		<u>1,743,098</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ (90,142)</u>

See accompanying notes to the basic financial statements

**TOWN OF STOUGHTON, MASSACHUSETTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2010**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE OVER/ (UNDER)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 46,813,744	\$ 46,813,744	\$ 46,765,824	\$ (47,920)
MOTOR VEHICLE EXCISE TAXES	3,194,677	3,194,677	2,584,246	(610,431)
PENALTIES & INTEREST ON TAXES	432,826	432,826	390,852	(41,974)
INTERGOVERNMENTAL	16,057,726	16,057,726	16,000,564	(57,162)
PAYMENTS IN LIEU OF TAXES	40,606	40,606	45,636	5,030
HOTEL/MOTEL OCCUPANCY TAX	159,172	159,172	132,160	(27,012)
INVESTMENT INCOME	77,113	77,113	61,011	(16,102)
LEGAL SETTLEMENT	-	-	438,805	438,805
DEPARTMENTAL AND OTHER	2,707,680	2,707,680	2,610,185	(97,495)
	<u>69,483,544</u>	<u>69,483,544</u>	<u>69,029,283</u>	<u>(454,261)</u>
TOTAL REVENUES				
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	2,936,876	2,848,251	2,563,532	284,719
PUBLIC SAFETY	8,414,023	8,550,420	7,693,423	856,997
EDUCATION	35,261,594	35,319,531	35,151,508	168,023
PUBLIC WORKS	2,020,741	2,027,752	2,169,548	(141,796)
HUMAN SERVICES	900,345	940,783	906,230	34,553
CULTURE & RECREATION	1,289,802	1,358,240	1,276,981	81,259
EMPLOYEE BENEFITS	11,712,331	11,748,331	10,802,190	946,141
STATE & COUNTY ASSESSMENTS	2,873,500	2,873,500	2,843,832	29,668
DEBT SERVICE:				
PRINCIPAL	2,249,018	2,249,018	2,169,979	79,039
INTEREST	913,893	881,393	749,518	131,875
	<u>68,572,123</u>	<u>68,797,219</u>	<u>66,326,741</u>	<u>2,470,478</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>911,421</u>	<u>686,325</u>	<u>2,702,542</u>	<u>2,016,217</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	21,078	21,078	263,014	241,936
OPERATING TRANSFERS OUT	(1,774,866)	(1,805,387)	(1,759,279)	46,108
	<u>(1,753,788)</u>	<u>(1,784,309)</u>	<u>(1,496,265)</u>	<u>288,044</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCE	(842,367)	(1,097,984)	1,206,277	2,304,261
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	<u>3,650,203</u>	<u>3,650,203</u>	<u>3,650,203</u>	<u>-</u>
BUDGETARY FUND BALANCE, END OF YEAR	<u>\$ 2,807,836</u>	<u>\$ 2,552,219</u>	<u>\$ 4,856,480</u>	<u>\$ 2,304,261</u>

See accompanying notes to the basic financial statements

**TOWN OF STOUGHTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2010**

ASSETS	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	WATER	SEWER	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
CURRENT:					
CASH AND SHORT-TERM INVESTMENTS	\$ 1,172,979	\$ 2,273,884	\$ 3,688,934	\$ 7,135,797	\$ 2,394,510
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	362,379	663,302	484,617	1,510,298	-
DEPARTMENTAL AND OTHER	-	-	-	-	527,260
DEFERRED AMOUNT ON REFUNDING	6,826	4,218	-	11,044	-
OTHER ASSETS	-	-	-	-	475,024
TOTAL CURRENT ASSETS	1,542,184	2,941,404	4,173,551	8,657,139	3,396,794
NONCURRENT:					
DEFERRED AMOUNT ON REFUNDING	60,774	37,965	-	98,739	-
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	11,428,747	9,116,761	743,893	21,289,401	-
TOTAL NONCURRENT ASSETS	11,489,521	9,154,726	743,893	21,388,140	-
TOTAL ASSETS	13,031,705	12,096,130	4,917,444	30,045,279	3,396,794
LIABILITIES					
CURRENT:					
ACCOUNTS PAYABLE	122,140	152,488	75,649	350,277	-
HEALTH CLAIMS PAYABLE	-	-	-	-	825,678
ACCRUED INTEREST	66,508	23,125	605	90,238	-
BONDS AND NOTES PAYABLE	1,369,874	837,600	304,000	2,511,474	-
COMPENSATED ABSENCES	15,926	6,690	44,622	67,238	-
POSTEMPLOYMENT BENEFITS	13,748	33,231	8,828	55,807	-
TOTAL CURRENT LIABILITIES	1,588,196	1,053,134	433,704	3,075,034	825,678
NONCURRENT:					
BONDS AND NOTES PAYABLE	8,654,958	2,291,700	241,000	11,187,658	-
COMPENSATED ABSENCES	33,385	25,087	61,871	120,343	-
POSTEMPLOYMENT BENEFITS	397,947	186,390	562,373	1,146,710	-
TOTAL NONCURRENT LIABILITIES	9,086,290	2,503,177	865,244	12,454,711	-
TOTAL LIABILITIES	10,674,486	3,556,311	1,298,948	15,529,745	825,678
NET ASSETS					
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	5,361,376	5,987,461	198,893	11,547,730	-
UNRESTRICTED	(3,004,157)	2,552,358	3,419,603	2,967,804	2,571,116
TOTAL NET ASSETS	\$ 2,357,219	\$ 8,539,819	\$ 3,618,496	\$ 14,515,534	\$ 2,571,116

See accompanying notes to the basic financial statements

**TOWN OF STOUGHTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FISCAL YEAR ENDED JUNE 30, 2010**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	WATER	SEWER	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
<u>OPERATING REVENUES:</u>					
CHARGES FOR SERVICES	\$ 3,188,021	\$ 4,983,034	\$ 3,853,609	\$ 12,024,664	\$ -
EMPLOYER CONTRIBUTIONS	-	-	-	-	6,015,690
EMPLOYEE CONTRIBUTIONS	-	-	-	-	2,904,411
DEPARTMENTAL AND OTHER	145,997	40,131	67,932	254,060	1,535,969
TOTAL OPERATING REVENUES	<u>3,334,018</u>	<u>5,023,165</u>	<u>3,921,541</u>	<u>12,278,724</u>	<u>10,456,070</u>
<u>OPERATING EXPENSES:</u>					
GENERAL SERVICES	3,093,266	5,577,693	4,043,574	12,714,533	-
DEPRECIATION	419,224	320,898	121,609	861,731	-
EMPLOYEE BENEFITS	-	-	-	-	8,721,439
TOTAL OPERATING EXPENSES	<u>3,512,490</u>	<u>5,898,591</u>	<u>4,165,183</u>	<u>13,576,264</u>	<u>8,721,439</u>
OPERATING INCOME (LOSS)	<u>(178,472)</u>	<u>(875,426)</u>	<u>(243,642)</u>	<u>(1,297,540)</u>	<u>1,734,631</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>					
INTERGOVERNMENTAL	102,406	163,620	-	266,026	-
INVESTMENT INCOME	10,199	10,683	15,975	36,857	8,467
INTEREST EXPENSE	(450,187)	(119,497)	(14,366)	(584,050)	-
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	<u>(337,582)</u>	<u>54,806</u>	<u>1,609</u>	<u>(281,167)</u>	<u>8,467</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(516,054)</u>	<u>(820,620)</u>	<u>(242,033)</u>	<u>(1,578,707)</u>	<u>1,743,098</u>
<u>OPERATING TRANSFERS:</u>					
OPERATING TRANSFERS IN	648,837	934,405	561,988	2,145,230	-
OPERATING TRANSFERS OUT	(136)	(39,348)	(252,475)	(291,959)	-
TOTAL OPERATING TRANSFERS	<u>648,701</u>	<u>895,057</u>	<u>309,513</u>	<u>1,853,271</u>	<u>-</u>
CHANGE IN NET ASSETS	132,647	74,437	67,480	274,564	1,743,098
NET ASSETS AT BEGINNING OF YEAR	<u>2,224,572</u>	<u>8,465,382</u>	<u>3,551,016</u>	<u>14,240,970</u>	<u>828,018</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,357,219</u>	<u>\$ 8,539,819</u>	<u>\$ 3,618,496</u>	<u>\$ 14,515,534</u>	<u>\$ 2,571,116</u>

See accompanying notes to the basic financial statements

**TOWN OF STOUGHTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FISCAL YEAR ENDED JUNE 30, 2010**

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL ACTIVITIES</u>
	<u>WATER</u>	<u>SEWER</u>	<u>NONMAJOR ENTERPRISE FUNDS</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUNDS</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
EMPLOYER CONTRIBUTIONS	\$ -	\$ -	\$ -	\$ -	\$ 6,015,690
EMPLOYEE CONTRIBUTIONS	-	-	-	-	2,904,411
RECEIPTS FROM CUSTOMERS AND USERS	3,333,824	5,498,852	3,890,264	12,722,940	1,008,710
PAYMENTS TO SUPPLIERS	(1,754,421)	(4,653,475)	(1,474,993)	(7,882,889)	(8,956,882)
PAYMENTS TO EMPLOYEES	(1,118,838)	(776,858)	(2,348,110)	(4,243,806)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>460,565</u>	<u>68,519</u>	<u>67,161</u>	<u>596,245</u>	<u>971,929</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>					
OPERATING TRANSFERS IN	648,837	934,405	561,988	2,145,230	-
OPERATING TRANSFERS (OUT)	(136)	(39,348)	(252,475)	(291,959)	-
INTERGOVERNMENTAL	-	163,620	-	163,620	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>648,701</u>	<u>1,058,677</u>	<u>309,513</u>	<u>2,016,891</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>					
PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	100,000	290,000	30,000	420,000	-
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(767,778)	(353,000)	(100,000)	(1,220,778)	-
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(309,675)	(396,560)	-	(706,235)	-
INTEREST EXPENSE	(376,833)	(118,430)	(14,537)	(509,800)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(1,354,286)</u>	<u>(577,990)</u>	<u>(84,537)</u>	<u>(2,016,813)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
INTEREST RECEIVED	10,199	10,683	15,975	36,857	8,466
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	<u>10,199</u>	<u>10,683</u>	<u>15,975</u>	<u>36,857</u>	<u>8,466</u>
NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	(234,821)	559,889	308,112	633,180	980,395
CASH AND SHORT-TERM INVESTMENTS - BEGINNING OF YEAR	<u>1,407,800</u>	<u>1,713,995</u>	<u>3,380,822</u>	<u>6,502,617</u>	<u>1,414,115</u>
CASH AND SHORT-TERM INVESTMENTS - END OF YEAR	<u>\$ 1,172,979</u>	<u>\$ 2,273,884</u>	<u>\$ 3,688,934</u>	<u>\$ 7,135,797</u>	<u>\$ 2,394,510</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>					
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>					
OPERATING INCOME (LOSS)	<u>\$ (178,472)</u>	<u>\$ (875,426)</u>	<u>\$ (243,642)</u>	<u>\$ (1,297,540)</u>	<u>\$ 1,734,631</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)					
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
DEPRECIATION	419,224	320,898	121,609	861,731	-
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(194)	475,687	(31,277)	444,216	-
(INCREASE) DECREASE IN DEPOSIT PREMIUM	-	-	-	-	(527,260)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	4,346	34,732	(78,540)	(39,462)	-
INCREASE (DECREASE) IN HEALTH CLAIMS PAYABLE	-	-	-	-	(235,442)
INCREASE (DECREASE) IN ACCRUED COMPENSATED ABSENCES	2,035	(412)	2,182	3,805	-
INCREASE (DECREASE) IN POSTEMPLOYMENT BENEFITS	213,626	113,040	296,829	623,495	-
TOTAL ADJUSTMENTS	<u>639,037</u>	<u>943,945</u>	<u>310,803</u>	<u>1,893,785</u>	<u>(762,702)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 460,565</u>	<u>\$ 68,519</u>	<u>\$ 67,161</u>	<u>\$ 596,245</u>	<u>\$ 971,929</u>

See accompanying notes to the basic financial statements

**TOWN OF STOUGHTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010**

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
<u>ASSETS</u>		
CASH AND SHORT-TERM INVESTMENTS	\$ 3,855	\$ 935,230
INVESTMENTS	1,430,360	-
TOTAL ASSETS	1,434,215	935,230
<u>LIABILITIES</u>		
ACCOUNTS PAYABLE	-	38,159
OTHER LIABILITIES	-	897,071
TOTAL LIABILITIES	-	935,230
<u>NET ASSETS</u>		
HELD IN TRUST FOR OTHER PURPOSES	\$ 1,434,215	\$ -

See accompanying notes to the basic financial statements

**TOWN OF STOUGHTON, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FISCAL YEAR ENDED JUNE 30, 2010**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS:</u>	
NET INVESTMENT INCOME (LOSS):	
INVESTMENT INCOME (LOSS)	\$ 143,814
 <u>DEDUCTIONS:</u>	
EDUCATION	<u>11,637</u>
CHANGE IN NET ASSETS	132,177
 NET ASSETS AT BEGINNING OF YEAR	 <u>1,302,038</u>
NET ASSETS AT END OF YEAR	 <u><u>\$ 1,434,215</u></u>

See accompanying notes to the basic financial statements

**TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Stoughton, 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 an elected 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 Ventures

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 ventures:

Name	Purpose	Address	Annual Assessment
Southeast Regional Vocational School District	To provide vocational education	250 Foundry Street Easton, MA 02375	\$ 945,780
Brockton Area Transit Authority	To provide public transportation	45 School Street Brockton, MA. 02301	\$ 121,766

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. The Town has no equity interest in the joint venture. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address.

**TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

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

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

Government-Wide Financial Statements

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

TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

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

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

Fund Financial Statements

Governmental Fund Financial Statements

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

Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when due, and the non current portion of compensated absences, and other post-employment 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 STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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 *Nonmajor Governmental funds* consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:
 - The *Special Revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
 - The *Capital Projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and trust funds).
 - The *Permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary Fund Financial Statements

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

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

The following major proprietary funds are reported:

- The *Water Enterprise fund* is used to account for water activities.
- The *Sewer Enterprise fund* is used to account for sewer activities.
- The *Nonmajor Enterprise funds* consist of ambulance, public health, golf course, and sanitation funds that are aggregated and presented in the nonmajor enterprise funds column on the proprietary funds financial statements.

TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Additionally, the following proprietary fund type is reported:

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

Fiduciary Fund Financial Statements

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

The following fiduciary fund types are reported:

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

Government-Wide and Fund Financial Statements

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

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

Motor Vehicle Excise

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

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

Water and Sewer

User fees are levied quarterly 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 the Community Preservation Act (CPA) and veterans receivables and are recorded as receivables in the fiscal year accrued. The CPA receivables are secured via the lien process and these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, vehicles, buildings and improvements, capital improvements, machinery and equipment, infrastructure (e.g., water mains, sewer mains, 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 \$10,000 for vehicles, \$15,000 for machinery and equipment, \$25,000 for land improvements, \$50,000 for building improvements, and all land and building costs are capitalized at the date of acquisition or construction, respectively, with expected useful lives of five years or greater.

**TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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:

Asset Class	Estimated Useful Life (in years)
Buildings and Improvements	10-40
Capital Improvements (other than buildings)	20-30
Machinery and Equipment	5-10
Vehicles	5-15
Infrastructure	40-50

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

Governmental Fund Financial Statements

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

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

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

TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Deferred Revenue

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

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets are classified into three components:

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

Net assets have been “restricted” for the following:

- *Streets* represent amounts committed by the Commonwealth of Massachusetts for the repair and/or construction of streets.
 - *Permanent funds – expendable* represents amounts held in trust for which the expenditures are restricted by various trust agreements.
 - *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.
3. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Fund Financial Statements (Fund Balances)

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

Fund balances have been reserved for the following:

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

Fund balances have been designated for the following:

- *Subsequent year's expenditures* represents amounts appropriated for the fiscal year 2011 operating budget.

- b. *Undesignated fund balances* – all other fund balances that do not meet the definition of “reserved” or “designated.”

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

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 STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

N. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2010 is recorded in the governmental fund financial statement.

O. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health and life insurance coverage is provided for retired employees and their survivors in accordance with Chapter 32B, of Massachusetts General Laws, under various contributory plans. Benefits are provided through health maintenance organizations (HMOs) that administer, and pay all claims. The Town contributes at various percentage rates depending on the HMO chosen, with the remainder paid by the retirees. Retired teachers, their dependents and beneficiaries receive health insurance through the Massachusetts Group Insurance Commission. The Town is assessed for its share of these costs by the Commonwealth, which, in turn, withholds the amounts due from quarterly state aid distributions.

P. Use of Estimates

Government-Wide and Fund Financial Statements

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

TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Q. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

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 forwards are included as part of the subsequent fiscal year's original budget.

Original and supplemental appropriations are enacted upon by a Town Meeting vote. Management may not amend the budget without seeking the approval of the governing body. The Town's Finance Committee can legally transfer funds from its reserve fund to other appropriations within the budget without seeking Town Meeting approvals. The original fiscal year 2010 approved budget authorized \$68,390,612 in current year appropriations and other amounts to be raised and \$181,511 in encumbrances and appropriations carried over from previous fiscal years. Supplemental appropriations of \$225,096 were approved at one Special Town Meeting during fiscal year 2010.

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

TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010, is presented below:

Net change in fund balance - budgetary basis	\$ 1,206,277
Basis of accounting differences:	
Increase in revenue for on-behalf payments - MTRS	8,113,305
Increase in expenditures for on-behalf payments - MTRS	(8,113,305)
Increase in revenue for MWPAT interest subsidy	6,046
Increase in expenditures for MWPAT interest subsidy	<u>(6,046)</u>
Net change in fund balance - GAAP basis	<u>\$ 1,206,277</u>

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2010, actual expenditures exceeded appropriations for snow removal. This over-expenditure will be funded by available funds during fiscal year 2011.

D. Deficit Fund Balances

Several individual fund deficits exist within the special revenue and general and enterprise capital projects funds. These individual deficits will be eliminated through subsequent fiscal year budget transfers, grants and proceeds of long-term debt during fiscal year 2011.

TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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.”

The Town does not have a formal deposit policy for custodial credit risk.

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

The following table illustrates how much of the Town’s bank deposits are insured or collateralized, 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, 2010:

Total bank balances		<u>\$ 24,742,311</u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	<u>1,876,628</u>	
Total bank balances covered by deposit insurance		1,876,628
Balances subject to custodial credit risk		
Bank balances uninsured & uncollateralized	<u>22,865,683</u>	
Total bank balances subject to custodial credit risk		<u>22,865,683</u>
Total bank balances		<u>\$ 24,742,311</u>

On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009. This temporary increase in coverage has recently been extended through December 31, 2013.

**TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

Investments

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

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

- *Credit Risk*

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

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

Investment type	Fair value	Minimum Legal Rating	Rating as of Year End					Unrated
			AAA	AA+	AA-	A	A-	
U.S. Government & Agency Securities	\$ 5,555	N/A	\$ 5,555	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	317,291	N/A	-	60,487	27,442	155,083	74,279	-
Common Stock	110,089	N/A	-	-	-	-	-	110,089
Fixed income mutual funds	544,369	N/A	-	-	-	-	-	544,369
Equity mutual funds	403,455	N/A	-	-	-	-	-	403,455
Money market mutual funds	49,601	N/A	-	-	-	-	-	49,601
Total Investments	\$ 1,430,360		\$ 5,555	\$ 60,487	\$ 27,442	\$ 155,083	\$ 74,279	\$ 1,107,514

**TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

- *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 U.S. Government and Agency Securities, 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 does not have an investment policy for custodial credit risk.

- *Interest Rate Risk*

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

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

Investment type	Fair value	Investment maturities (in years)		
		Less than 1	1-5	6-10
<i>Debt Related Securities:</i>				
U.S. Government & Agency	\$ 5,555	\$ -	\$ -	\$ 5,555
Corporate bonds	317,291	-	198,756	118,535
Fixed Income Mutual Funds	544,369	544,369	-	-
Total - Debt related securities	867,215	544,369	198,756	124,090
<i>Other Investments:</i>				
Equity mutual funds	403,455	403,455	-	-
Money market mutual funds	49,601	49,601	-	-
Common Stock	110,089	110,089	-	-
Total Other Investments	563,145	563,145	-	-
Total Investments	\$ 1,430,360	\$ 1,107,514	\$ 198,756	\$ 124,090

- *Concentration of Credit Risk*

The Town places no limit on the amount the government may invest in any one issuer. The Town did not hold more than 5% of its investments in any one issuer.

TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 – RECEIVABLES

The receivables at June 30, 2010 for the Town’s individual major and nonmajor governmental funds and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 1,394,840	\$ (58,700)	\$ 1,336,140
Tax liens	2,254,385	-	2,254,385
Motor vehicle excise taxes	819,985	(228,000)	591,985
Departmental and other	786,920	-	786,920
Intergovernmental	3,564,953	-	3,564,953
Total	\$ 8,821,083	\$ (286,700)	\$ 8,534,383

The receivables at June 30, 2010, for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water</i>			
User fees	\$ 362,379	\$ -	\$ 362,379
<i>Sewer</i>			
User fees	663,302	-	663,302
<i>Nonmajor Enterprise Funds</i>			
Ambulance - User fees	749,176	(382,711)	366,465
Sanitation - User fees	118,152	-	118,152
	<u>867,328</u>	<u>(382,711)</u>	<u>484,617</u>
Total	\$ 1,893,009	\$ (382,711)	\$ 1,510,298

TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

Deferred Revenue Analysis

Receivable Type:	General Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 1,148,241	\$ -	\$ 1,148,241
Tax Liens	2,254,385	-	2,254,385
Motor vehicle excise taxes	591,985	-	591,985
Intergovernmental	2,445,134	771,382	3,216,516
Departmental and other	236,688	22,972	259,660
Total	<u>\$ 6,676,433</u>	<u>\$ 794,354</u>	<u>\$ 7,470,787</u>

TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 11,411,701	\$ -	\$ -	\$ 11,411,701
Construction in progress	1,204,972	317,369	(1,093,692)	428,649
Total capital assets not being depreciated	<u>12,616,673</u>	<u>317,369</u>	<u>(1,093,692)</u>	<u>11,840,350</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	42,587,309	9,565	-	42,596,874
Capital improvements (other than buildings)	561,799	51,150	48,850	661,799
Machinery and equipment	1,828,482	172,935	-	2,001,417
Vehicles	5,087,406	606,712	(27,000)	5,667,118
Infrastructure	26,655,401	753,436	1,044,842	28,453,679
Total capital assets being depreciated	<u>76,720,397</u>	<u>1,593,798</u>	<u>1,066,692</u>	<u>79,380,887</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(21,779,717)	(870,203)	-	(22,649,920)
Capital improvements (other than buildings)	(347,888)	(23,563)	-	(371,451)
Machinery and equipment	(1,033,979)	(137,011)	-	(1,170,990)
Vehicles	(3,812,124)	(317,305)	27,000	(4,102,429)
Infrastructure	(15,384,932)	(645,952)	-	(16,030,884)
Total accumulated depreciation	<u>(42,358,640)</u>	<u>(1,994,034)</u>	<u>27,000</u>	<u>(44,325,674)</u>
Total capital assets being depreciated, net	<u>34,361,757</u>	<u>(400,236)</u>	<u>1,093,692</u>	<u>35,055,213</u>
Total governmental activities capital assets, net	<u>\$ 46,978,430</u>	<u>\$ (82,867)</u>	<u>\$ -</u>	<u>\$ 46,895,563</u>

TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Business-Type Activities:	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 882,079	\$ -	\$ -	\$ 882,079
Construction in progress	635,954	309,675	(271,070)	674,559
Total capital assets not being depreciated	1,518,033	309,675	(271,070)	1,556,638
<i>Capital assets being depreciated:</i>				
Buildings and improvements	1,984,328	-	-	1,984,328
Capital improvements (other than buildings)	205,707	-	-	205,707
Machinery and equipment	706,729	-	-	706,729
Vehicles	2,725,524	90,000	(95,042)	2,720,482
Infrastructure	30,784,902	306,561	271,070	31,362,533
Total capital assets being depreciated	36,407,190	396,561	176,028	36,979,779
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(485,883)	(55,608)	-	(541,491)
Capital improvements (other than buildings)	(205,707)	-	-	(205,707)
Machinery and equipment	(426,293)	(37,076)	-	(463,369)
Vehicles	(1,960,323)	(147,491)	95,042	(2,012,772)
Infrastructure	(13,402,121)	(621,556)	-	(14,023,677)
Total accumulated depreciation	(16,480,327)	(861,731)	95,042	(17,247,016)
Total capital assets being depreciated, net	19,926,863	(465,170)	271,070	19,732,763
Total business-type activities capital assets, net	\$ 21,444,896	\$ (155,495)	\$ -	\$ 21,289,401

TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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

Governmental Activities:	
General government	\$ 60,912
Public safety	384,743
Education	649,232
Public works	797,049
Human services	42,946
Culture and recreation	<u>59,152</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,994,034</u></u>

Business-Type Activities:	
Major business type activities:	
Water	\$ 419,224
Sewer	<u>320,898</u>
Total major business type activities	<u>740,122</u>
Non-major business type activities:	
Sanitation	53,248
Golf course	23,213
Ambulance	42,563
Public health	<u>2,585</u>
Total non-major business type activities	<u>121,609</u>
Total depreciation expense - business-type activities	<u><u>\$ 861,731</u></u>

**TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2010, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:					Total
	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Fund	Water Enterprise Fund	Sewer Enterprise Fund	
Nonmajor Governmental Funds	\$ 10,539	\$ -	\$ -	\$ 648,837	\$ -	\$ 659,376 (1)
Nonmajor Enterprise Funds	252,475	-	-	-	-	252,475 (3)
Sewer Enterprise Fund	-	39,348	-	-	-	39,348 (2)
Water Enterprise Fund	-	136	-	-	-	136 (2)
General Fund	-	262,886	561,988	-	934,405	1,759,279 (1)
Total	\$ 263,014	\$ 302,370	\$ 561,988	\$ 648,837	\$ 934,405	\$ 2,710,614

(1) Represents budgeted transfers to supplement the operating budgets.

(2) Represents other budgeted transfers.

(3) Represents other transfers between funds.

**TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7 – SHORT-TERM FINANCING

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

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

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

The following is a summary of changes in short-term debt for the year ended June 30, 2010:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2009	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2010
BAN	Multiple Projects	1.25 - 2.5	5/14/2010	\$ 1,905,000	\$ -	\$ (1,905,000)	\$ -
INTERIM LOAN NOTE	MWPAT Title V Loan #T5-97- 1201-A	0.75	12/31/2010	-	200,000	-	200,000
RAN	Tax Anticipation	1.00	12/22/2009	-	5,000,000	(5,000,000)	-
BAN	Multiple Projects	1.50	5/13/2011	-	2,998,000	-	2,998,000
Total Governmental Funds				1,905,000	8,198,000	(6,905,000)	3,198,000
BAN	Sewer Projects	1.25 - 2.5	5/14/2010	195,000	-	(195,000)	-
BAN	Water Projects	1.25 - 2.5	5/14/2010	460,000	-	(460,000)	-
BAN	Ambulance	1.25 - 2.5	5/14/2010	45,000	-	(45,000)	-
BAN	Sanitation	1.25 - 2.5	5/14/2010	180,000	-	(180,000)	-
GAN	MWRA Sewer Loan	0.00	12/3/2009	-	199,980	(199,980)	-
BAN	Sewer Projects	1.50	5/13/2011	-	485,000	-	485,000
BAN	Water Projects	1.50	5/13/2011	-	560,000	-	560,000
BAN	Ambulance	1.50	5/13/2011	-	75,000	-	75,000
BAN	Sanitation	1.50	5/13/2011	-	180,000	-	180,000
Total Enterprise Funds				880,000	1,499,980	(1,079,980)	1,300,000
Total				\$ 2,785,000	\$ 9,697,980	\$ (7,984,980)	\$ 4,498,000

**TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
School	Var.	\$ 2,605,000	\$ -	\$ 2,605,000	\$ -
ADA Remodeling	4.60%	265,000	-	265,000	-
Land Acquisition	4.35%	5,000	-	5,000	-
Police Station	4.56%	1,170,000	-	1,170,000	-
School	5.44%	170,000	-	170,000	-
General Fund	5.70%	230,000	-	230,000	-
Title V Septic	Var.	115,694	-	10,539	105,155
Municipal Purpose of 2003	3.63%	910,000	-	195,000	715,000
Municipal Purpose of 2005	3.82%	912,500	-	82,500	830,000
General Obligation Refunding	Var.	2,972,760	-	33,140	2,939,620
Municipal Purpose of 2006	4.13%	4,732,500	-	517,500	4,215,000
Municipal Purpose of 2009	2.50 - 5.00%	3,915,300	-	393,300	3,522,000
General Obligation Refunding	3.50%	-	3,605,000	13,000	3,592,000
Total		<u>\$ 18,003,754</u>	<u>\$ 3,605,000</u>	<u>\$ 5,689,979</u>	<u>\$ 15,918,775</u>

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2010 are as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 2,087,230	\$ 592,452	\$ 2,679,682
2012	1,829,170	515,205	2,344,375
2013	1,756,930	453,583	2,210,513
2014	1,599,230	393,909	1,993,139
2015	1,486,290	338,080	1,824,370
2016-2020	5,046,925	986,537	6,033,462
2021-2025	1,710,500	289,425	1,999,925
2026-2029	402,500	40,984	443,484
Total	<u>\$ 15,918,775</u>	<u>\$ 3,610,175</u>	<u>\$ 19,528,950</u>

**TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

Bonds and Notes Payable Schedule –Water, Sewer, Golf, Sanitation, & Ambulance Enterprise Funds

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
Water Projects of 1998	4.48%	\$ 100,000	\$ -	\$ 100,000	\$ -
Water Projects of 2000	5.69%	95,000	-	95,000	-
Sewer Projects of 2000	5.70%	60,000	-	60,000	-
Water Projects of 2003	Var.	2,030,000	-	230,000	1,800,000
Sewer Projects of 2003	Var.	1,115,000	-	180,000	935,000
MWRA Water Entrance Fee	4.43%	4,203,509	-	246,048	3,957,461
MWPAT Water DW-01-25	Var.	2,291,900	-	132,609	2,159,291
Water Projects of 2005	Var.	137,500	-	17,500	120,000
Water Projects Refunding Bonds	Var.	922,640	-	10,560	912,080
Sewer Projects Refunding Bonds	Var.	599,600	-	6,300	593,300
Water Projects of 2006	3.99% - 4.19%	87,500	-	7,500	80,000
Sewer Projects of 2006	3.86% - 4.19%	595,000	-	45,000	550,000
Trash Hauling Truck	3.87%	35,000	-	35,000	-
Ambulance	3.87%	25,000	-	20,000	5,000
MWRA Sewer Loan	0.00%	88,000	-	22,000	66,000
Water Projects of 2009	2.50% - 5.00%	391,000	-	43,000	348,000
Sewer Projects of 2009	2.50% - 5.00%	539,700	-	39,700	500,000
Golf Projects of 2009	2.50% - 5.00%	73,000	-	10,000	63,000
Ambulance Projects of 2009	2.50% - 5.00%	257,000	-	35,000	222,000
Water Project Refunding 2009	3.50%	-	88,000	-	88,000
Total		<u>\$ 13,646,349</u>	<u>\$ 88,000</u>	<u>\$ 1,335,217</u>	<u>\$ 12,399,132</u>

The annual debt service requirements for principal and interest for water, sewer, golf, and ambulance enterprise funds bonds and notes outstanding at June 30, 2010 are as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 1,211,474	\$ 520,289	\$ 1,731,763
2012	1,003,732	473,828	1,477,560
2013	979,082	438,667	1,417,749
2014	955,012	388,431	1,343,443
2015	956,915	347,652	1,304,567
2016-2020	4,845,623	1,132,597	5,978,220
2021-2025	2,289,794	222,311	2,512,105
2026-2029	157,500	15,141	172,641
Total	<u>\$ 12,399,132</u>	<u>\$ 3,538,916</u>	<u>\$ 15,938,048</u>

**TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010:

<u>Governmental Activities:</u>	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 18,003,754	\$ 3,605,000	\$ (5,689,979)	\$ 15,918,775	\$ 2,087,230
Capital lease payable	38,058	-	(38,058)	-	-
Compensated absences	1,655,069	53,612	-	1,708,681	350,837
Postemployment benefits	<u>4,308,002</u>	<u>4,382,490</u>	<u>-</u>	<u>8,690,492</u>	<u>4,076,501</u>
Total governmental activities long-term liabilities	<u>\$ 24,004,883</u>	<u>\$ 8,041,102</u>	<u>\$ (5,728,037)</u>	<u>\$ 26,317,948</u>	<u>\$ 6,514,568</u>
<u>Business-Type Activities:</u>	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 13,646,349	\$ 88,000	\$ (1,335,217)	\$ 12,399,132	\$ 1,211,474
Compensated absences	183,776	3,805	-	187,581	67,238
Postemployment benefits	<u>579,022</u>	<u>623,495</u>	<u>-</u>	<u>1,202,517</u>	<u>55,807</u>
Total business-type activities long-term liabilities	<u>\$ 14,409,147</u>	<u>\$ 715,300</u>	<u>\$ (1,335,217)</u>	<u>\$ 13,789,230</u>	<u>\$ 1,334,519</u>

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

**TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

Loans Authorized and Unissued

As of June 30, 2010, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Central Street Sewer	5/10/1999	\$ 33,360
Fitzpatrick, Anderson & Summer St. Sewer	12/6/1999	30
Financial Management Software	5/14/2002	15,000
MWPAT Title V Septic Repairs	5/24/2004	200,000
Sundry Capital Projects	3/28/2007	15,000
Sundry Capital Projects	5/7/2007	50,000
Sundry Capital Projects	5/14/2007	488,500
Departmental Equipment	5/5/2008	861,000
Sewer Mains	5/5/2008	380,000
Sundry Capital Projects	5/19/2008	1,106,975
Sundry Capital Projects	5/4/2009	823,000
Sundry Capital Projects	9/30/2009	720,020
Sundry Capital Projects	5/10/2010	<u>2,625,240</u>
Total		<u>\$ 7,318,125</u>

Massachusetts School Building Authority Reimbursements

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

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

The Town has been approved for a 70% percent state school construction grant through the Massachusetts School Building Authority (MSBA) to cover eligible project costs, including debt service associated with the financing of these projects, subject to annual appropriation by the state legislature. The Town received \$305,642 from scheduled annual payments in FY 2010 from the MSBA for completed school construction projects.

**TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

Advance and Current Year Refunding

On September 21, 2009, the Town issued general obligation refunding bonds in the amount of \$3,693,000 with an interest rate of 3.05% partially advance refund \$3,605,000 of general obligation bonds with an interest rates ranging from 4.48% to 4.68. The advance refunded bonds mature on February 15, 2018. The general obligation refunding bonds were issued at a interest cost of 3.05% and, after paying issuance costs of \$31,400, the net proceeds were \$3,661,600. The net proceeds from the issuance of the general obligation refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the advance refunded bonds are called on November 1, 2009. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the Town's financial statements.

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, 2010:

Agency	Total Long-Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
MWRA - Sewer Debt	\$ 3,902,910,000	1.072%	\$ 41,824,425
MWRA - Water Debt	1,965,302,000	0.311%	6,113,478
Norfolk County	<u>900,000</u>	3.120%	<u>28,080</u>
	<u>\$ 5,869,112,000</u>		<u>\$ 47,965,983</u>

**TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9 – RISK FINANCING

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

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, in which case, the town would be insured up to \$5,000,000.

In actions related to eminent domain or breach of contract the town is not insured. Such claims are charged to the general fund. There were no such claims in 2010. Buildings are fully insured against fire, theft, and natural disaster (except for losses due to flood or earthquake) to the extent that losses exceed \$5,000 per incident.

The Town is self-insured for unemployment compensation. During fiscal year 2010, claims related to unemployment compensation were immaterial. The liability for the self-insured unemployment compensation program is not material at June 30, 2010.

The Town is self-insured for workers’ compensation for all personnel. During fiscal year 2010, expenditures by the Town for claims related to worker’s compensation amounted to \$93,495 that was recorded in the internal service fund.

The Town has a variety of self-insured contributory health care options. There are 740 employees and retirees who participate in the Town’s health care programs. Stop loss insurance is carried on all self-insured health care claims in excess of \$90,000 individually, to a lifetime maximum of \$2,000,000. The Town contributes at various percentage rates (65%-79%) depending on the HMO chosen. The amount of claim settlements has not exceeded insurance coverage in any of the previous four fiscal years.

The Town’s health insurance and worker’s compensation activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. Liabilities for self-insured claims are reported when it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not recorded. As of June 30, 2010 and June 30, 2009, the only such liabilities are those related to the Town’s self-insured health care program and worker’s compensation. The Town established a liability based on historical trends for the previous fiscal years. Changes in the self-insured liability account in fiscal year 2010 and 2009 were as follows:

	2010	2009
Liability at beginning of fiscal year	\$ 1,061,121	\$ 1,042,089
Claims incurred for current fiscal year and		
Changes in provisions for prior year	7,854,606	9,404,179
Claims payments for current fiscal year	(8,090,049)	(9,385,147)
Liability at end of fiscal year	\$ 825,678	\$ 1,061,121

**TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Plan Description. The Town of Stoughton Other Post-Employment Benefits Plan (The Plan), is a single-employer defined benefit healthcare plan administered by the Town of Stoughton. 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 2010, the total Town’s premiums plus implicit costs for the retiree medical program are \$4,132,308.

Annual OPEB Cost and Net OPEB Obligation. The Town’s annual other post-employment 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:

	Governmental Activities	Business-Type activities - Enterprise Funds			Total	Primary Government Total
		Water	Sewer	NonMajor Enterprise		
Annual required contribution	\$ 8,445,361	\$ 226,748	\$ 145,934	\$ 304,788	\$ 677,470	\$ 9,122,831
Interest on net OPEB obligation	183,091	8,417	4,530	11,661	24,608	207,699
Adjustment to annual required contribution (ARC)	(169,461)	(7,791)	(4,193)	(10,792)	(22,776)	(192,237)
Annual OPEB cost (expense)	8,458,991	227,374	146,271	305,657	679,302	9,138,293
Contributions made	(4,076,501)	(13,748)	(33,231)	(8,828)	(55,807)	(4,132,308)
Increase in net OPEB obligation	4,382,490	213,626	113,040	296,829	623,495	5,005,985
Net OPEB obligation - beginning of year	4,308,002	198,069	106,581	274,372	579,022	4,887,024
Net OPEB obligation - end of year	\$ 8,690,492	\$ 411,695	\$ 219,621	\$ 571,201	\$ 1,202,517	\$ 9,893,009

**TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	N/A	N/A	N/A
6/30/2009	\$ 8,598,672	43.2%	\$ 4,887,024
6/30/2010	\$ 9,138,293	45.2%	\$ 9,893,009

Funded Status and Funding Progress. As of January 1, 2009, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$117.35 million, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$117.35 million. The covered payroll (annual payroll of active employees covered by the plan) was \$39.855 million, and the ratio of the UAAL to the covered payroll was 294.4%.

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 January 1, 2009, 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 7.50% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and Commercial Managed Care trend rates that begin at 10% and scale down to 5%; Commercial Indemnity trend rates that begin at 11% and scale down to 6%; for Medicare, the Indemnity trend rates begin at 10% and scale down to 6%; while Managed Care trend rates begin at 9% and scale down to 5% over thirty 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 January 1, 2009, was 30 years.

**TOWN OF STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 11 – 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, 2010, 2009, and 2008 were \$3,080,036, \$2,965,531, and \$2,522,708 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 \$8,113,305 for fiscal year 2010. 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 STOUGHTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2010, 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.

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, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2010.

NOTE 13 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2010, the following GASB pronouncements were implemented:

The GASB issued **Statement #51** *Accounting and Financial Reporting for Intangible Assets* was implemented in FY2010. This pronouncement did not require additional disclosure or impact the basic financial statements.

The GASB issued **Statement #53** *Accounting and Financial Reporting for Derivative Instruments* was implemented in FY2010. The Town does not invest in derivative instruments. Therefore, this pronouncement did not require additional disclosure or impact the basic financial statements.

The GASB issued **Statement #58** *Accounting and Financial Reporting for Chapter 9 Bankruptcies* was implemented in FY2010. This pronouncement did not require additional disclosure or impact the basic financial statements.

Future GASB Pronouncements:

The GASB issued **Statement #54** *Fund Balance Reporting and Governmental Fund Type Definitions* which is required to be implemented in FY2011. Management believes this pronouncement will require additional disclosure and reclassify/redefine some fund balances in the basic financial statements.

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

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

**TOWN OF STOUGHTON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2010**

Schedules of Funding Progress and Employer Contributions

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

Projected Schedule 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]
1/1/2009	\$ -	\$ 117,348,576	\$ 117,348,576	0.0%	\$ 39,855,000	294.4%

Schedule of Employer Contributions (1):

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed *	Net OPEB Obligation
2009	\$ 8,598,672	43.2%	\$ 4,887,024
2010	\$ 9,138,293	45.2%	\$ 9,893,009

(1) A three-year display will be shown on a go forward basis.

* Based on expected premium payments.

**TOWN OF STOUGHTON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2010**

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	January 1, 2009
Discount Rate	4.25%
Medical Trend Rates for Town Retirees	7.81% grading down to 5% in Year 2018 and thereafter for Commercial Managed Care Plans, 3.5% grading up to 5.00% in Year 2016 and thereafter for Medicare Managed Care Plans, and 18.32% grading down to 6% in Year 2016 and thereafter for Medicare Indemnity Plans
Medical Trend Rates for Retired Municipal Teachers (RMT)	4.61% grading up 5% in Year 2018 and thereafter for Commercial Managed Care Plans, -4.76% grading up to 6.00% in Year 2017 and thereafter for Commercial Indemnity Plans, 6.29% grading down to 5% in Year 2016 for Medicare Managed Care Plans, and 1.34% grading up to 6% in Year 2016 and thereafter for Medicare Indemnity Plans
Cost Method	Projected Unit Credit Actuarial Cost Method
Amortization Method	Level dollar amount over 30 years at transition
Remaining Amortization Period	28
Mortality	RP-2000 Table for males RP-2000 Table for females
Participation	80% of future retirees are assumed to participate in the retiree medical plan. 100% of future retirees are expected to elect life insurance.

Plan Participants:

Current retirees, beneficiaries, and dependants	473
Current active members/participants	587
Total	<u>1060</u>