

**TOWN OF STOUGHTON, MASSACHUSETTS**

**REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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

**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 Position	13
Statement of Activities	14 – 15
Governmental Funds – Balance Sheet	16
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	20
Proprietary Funds – Statement of Net Position	21
Proprietary Funds – Statement of Revenues, Expenses, and Changes in Fund Net Position	22
Proprietary Funds – Statement of Cash Flows	23
Fiduciary Funds – Statement of Fiduciary Net Position	24
Fiduciary Funds – Statement of Changes in Fiduciary Net Position	25
Notes to Basic Financial Statements	26 – 61
Required Supplementary Information:	
Retirement System Schedules of Funding Progress and Employer Contributions	62
Other Post-Employment Benefits – Schedules of Funding Progress and Employer Contributions	63 – 64

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

Phone: (508) 478-3941

Fax: (508) 478-1779

---

**INDEPENDENT AUDITORS REPORT**

To the Honorable Board of Selectmen  
Town of Stoughton, Massachusetts

***Report on the Financial Statements***

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

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

### ***Opinions***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retirement system schedules of funding progress and employer contributions and other post-employment benefits – schedules of funding progress and employer contributions on pages 3-12, 62 and 63 – 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2015, on our consideration of the Town of Stoughton, Massachusetts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Stoughton, Massachusetts's internal control over financial reporting and compliance.

R.E. Brown & Company

June 1, 2015

## 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, 2014. We encourage readers to consider this information in addition to the statements and notes.

The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Users of these financial statements, such as investors and rating agencies, rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application 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 position* presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (*business-type activities*). The governmental activities include 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 funds 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 Position.

Town of Stoughton - Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
<b>Assets:</b>						
Current assets	\$ 45,696,741	\$ 39,901,351	\$ 13,839,176	\$ 16,067,732	\$ 59,535,917	\$ 55,969,083
Noncurrent assets (excluding capital)	1,015,002	1,339,349	34,640	43,196	1,049,642	1,382,545
Capital Assets (net of accumulated depreciation)	50,926,073	51,215,414	22,898,654	20,868,906	73,824,727	72,084,320
<b>Total assets</b>	<u>97,637,816</u>	<u>92,456,114</u>	<u>36,772,470</u>	<u>36,979,834</u>	<u>134,410,286</u>	<u>129,435,948</u>
<b>Liabilities:</b>						
Current liabilities (excluding debt)	7,015,710	7,239,412	783,881	402,379	7,799,591	7,641,791
Noncurrent liabilities (excluding debt)	27,556,888	22,500,974	4,867,468	3,895,303	32,424,356	26,396,277
Current debt	2,918,108	3,611,826	2,029,252	3,207,570	4,947,360	6,819,396
Noncurrent debt	14,315,308	14,270,226	14,344,845	14,675,287	28,660,153	28,945,513
<b>Total liabilities</b>	<u>51,806,014</u>	<u>47,622,438</u>	<u>22,025,446</u>	<u>22,180,539</u>	<u>73,831,460</u>	<u>69,802,977</u>
<b>Net Position:</b>						
Net investment in capital assets	34,215,830	34,605,606	14,822,658	12,769,775	49,038,488	47,375,381
Restricted	16,231,246	12,990,718	-	-	16,231,246	12,990,718
Unrestricted	(4,615,274)	(2,762,648)	(75,634)	2,029,520	(4,690,908)	(733,128)
<b>Total net position</b>	<u>\$ 45,831,802</u>	<u>\$ 44,833,676</u>	<u>\$ 14,747,024</u>	<u>\$ 14,799,295</u>	<u>\$ 60,578,826</u>	<u>\$ 59,632,971</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$60,578,826 at the close of fiscal year 2014, an increase of \$945,855 or 1.6% over the net position amount at June 30, 2013

Net position of \$49,038,488 (80.95% of total) reflects 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 position totaling \$16,231,246 (26.80% of total) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* totals to (\$4,690,908) (-7.75% of total).

As of June 30, 2014 the Town is able to report positive balances in both governmental and business-type total net position.

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

<b>Town of Stoughton - Condensed Statement of Activities</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2013</u>
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for services	\$ 6,259,951	\$ 6,037,086	\$ 14,143,737	\$ 13,584,687	\$ 20,403,688	\$ 19,621,773
Operating grants and contributions	29,686,229	29,585,974	409,878	514,019	30,096,107	30,099,993
Capital grants and contributions	40,030	877,532	87,831	110,910	127,861	988,442
<i>General Revenues:</i>						
Real Estate and personal property taxes	54,293,276	51,764,903	-	-	54,293,276	51,764,903
Motor vehicle excise taxes	3,372,491	3,591,977	-	-	3,372,491	3,591,977
Nonrestricted grants and contributions	5,495,141	4,991,359	-	-	5,495,141	4,991,359
Unrestricted investment income	213,973	50,992	-	-	213,973	50,992
Other revenues	2,898,053	2,137,889	-	-	2,898,053	2,137,889
<b>Total Revenues</b>	<u>102,259,144</u>	<u>99,037,712</u>	<u>14,641,446</u>	<u>14,209,616</u>	<u>116,900,590</u>	<u>113,247,328</u>
<b>Expenses:</b>						
General Government	3,536,670	3,328,447	-	-	3,536,670	3,328,447
Public Safety	9,977,900	9,658,219	-	-	9,977,900	9,658,219
Education	45,912,833	43,461,853	-	-	45,912,833	43,461,853
Public Works	3,309,856	3,144,885	-	-	3,309,856	3,144,885
Human Services	1,309,427	1,372,530	-	-	1,309,427	1,372,530
Culture and Recreation	1,609,011	1,529,202	-	-	1,609,011	1,529,202
Employee Benefits	30,772,012	29,972,882	-	-	30,772,012	29,972,882
State and County Assessments	3,176,218	2,813,963	-	-	3,176,218	2,813,963
Interest	618,875	724,787	-	-	618,875	724,787
Water	-	-	4,247,945	4,110,172	4,247,945	4,110,172
Sewer	-	-	6,374,262	6,542,649	6,374,262	6,542,649
Other business-type	-	-	5,109,726	4,571,881	5,109,726	4,571,881
<b>Total Expenses</b>	<u>100,222,802</u>	<u>96,006,768</u>	<u>15,731,933</u>	<u>15,224,702</u>	<u>115,954,735</u>	<u>111,231,470</u>
<b>Increase (Decrease) in Net Position before transfers</b>	2,036,342	3,030,944	(1,090,487)	(1,015,086)	945,855	2,015,858
<b>Transfers</b>	<u>(1,038,216)</u>	<u>(1,247,737)</u>	<u>1,038,216</u>	<u>1,247,737</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	<u>998,126</u>	<u>1,783,207</u>	<u>(52,271)</u>	<u>232,651</u>	<u>945,855</u>	<u>2,015,858</u>
<b>Net Position - beginning</b>	<u>44,833,676</u>	<u>43,050,469</u>	<u>14,799,295</u>	<u>14,566,644</u>	<u>59,632,971</u>	<u>57,617,113</u>
<b>Net Position - ending</b>	<u>\$ 45,831,802</u>	<u>\$ 44,833,676</u>	<u>\$ 14,747,024</u>	<u>\$ 14,799,295</u>	<u>\$ 60,578,826</u>	<u>\$ 59,632,971</u>

The governmental activities net position increased by \$998,126, or 2.22%, during the current fiscal year. Other revenues experienced an increase of 35.56% over fiscal 2013. Investment income increased by 419.62% over fiscal 2013 primarily due to the increased amount deposited into stabilization funds. Governmental revenues increased in the aggregate by \$3,221,432 or 3.25%. Business-type activities net position decreased by (\$52,271), or -.35%. Included in this amount are transfers from governmental activities in the amount of \$1,038,216.

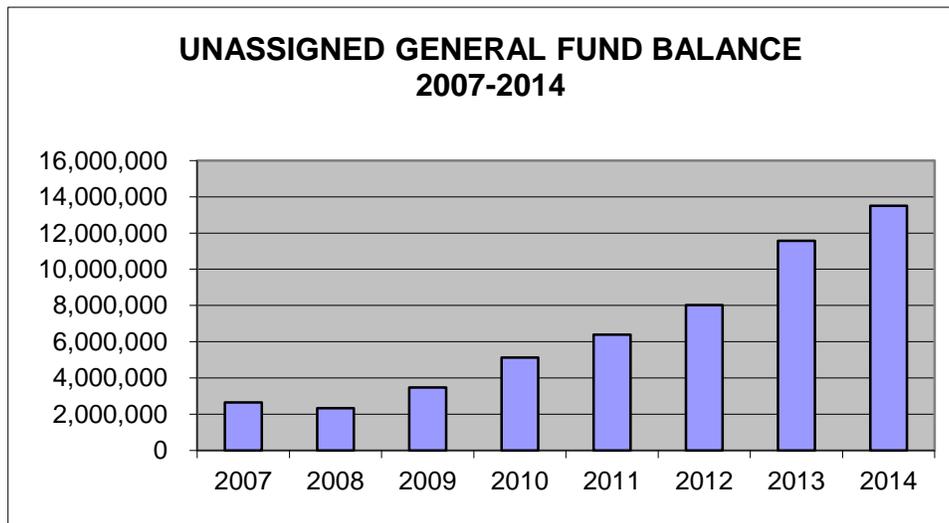
***Financial analysis of the Government’s Funds***

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

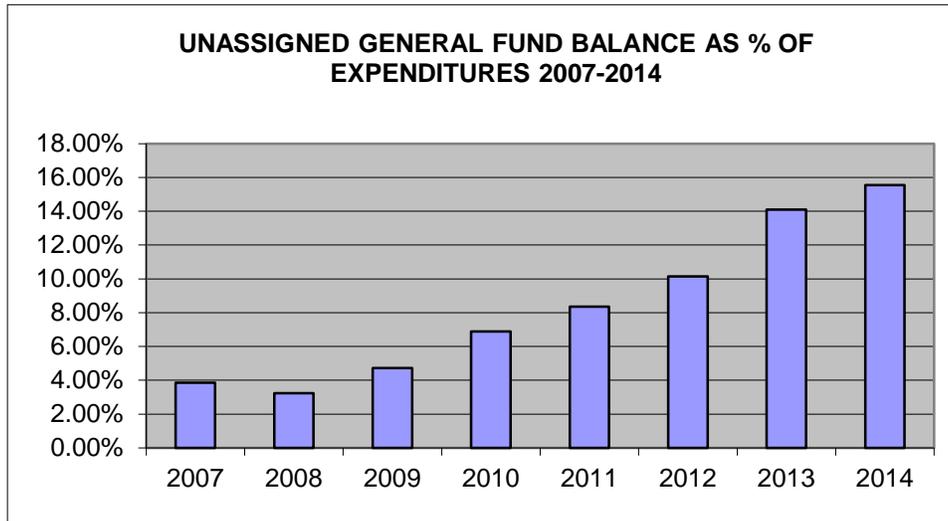
Governmental Funds – The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$28,618,876, an increase of \$5,582,258 over the prior year, due to favorable activity in both the General Fund and non-major governmental funds.

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund increased from \$11,571,018 to \$13,502,865 (16.70%), while total fund balance increased from \$15,936,201 to \$19,051,220 (19.55%). 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 unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance at June 30, 2014 represents 15.55% of total General Fund expenditures, while total fund balance represents 21.93% of that same amount.



General Fund revenues for FY2014 were \$90,844,132 with property taxes (\$53,752,566) and intergovernmental (\$28,622,598) constituting the major components of the Town’s revenue sources. General Fund expenditures were \$86,860,403 for FY2014 with education (\$40,145,731) and employee benefits (\$22,937,942) the major elements.

The Stabilization Funds an accumulated fund balance of \$4,674,673 which represents 5.38% of General Fund expenditures. These funds can be used for general or capital purposes upon two-thirds vote of town meeting.

The Capital Reserve for Future Building Stabilization Fund had a balance of \$1,265,408 at June 30, 2014. This fund is dedicated to help defray interest costs on major future building projects. A two-thirds vote of town meeting is required for expenditure from this fund.

*Proprietary Funds* There was an increase in net position of \$311,593 in the Sewer Fund during the year, from \$9,955,075 to 10,266,668. The Sewer Commissioners (Board of Selectmen) review the operating results and hold a rate hearing each year. In June, 2014 the Commissioners voted no increase for FY2015.

Water Fund net position increased by \$697,631 from \$4,064,136 to \$4,761,767. In June, 2014, the Commissioners voted to increase the water rates by 2% for FY2015.

Net position of other enterprise funds (Cedar Hill, Public Health, Ambulance and Sanitation) decreased in the aggregate by (\$1,061,495).

**General Fund Budget Highlights**

The total original budget was increased by (\$671,514) during FY2014, although various categories were adjusted for interdepartmental transfers. Overall, the Town’s General Fund revenue was \$2,436,397 more than budgeted. Actual Town General Fund expenditures were \$3,260,819 less than budgeted, resulting in overall favorable budgetary activity of \$5,697,216.

**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, 2014 amounts to \$73,824,727, 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 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Land	\$ 12,806,951	\$ 12,615,951	\$ 882,079	\$ 882,079	\$ 13,689,030	\$ 13,498,030
Buildings	18,319,750	19,189,205	1,299,163	1,359,272	19,618,913	20,548,477
Capital Improvements (other than buildings)	394,549	430,204	-	-	394,549	430,204
Machinery and Equipment	826,181	668,422	111,676	143,177	937,857	811,599
Vehicles	2,258,226	2,302,471	1,034,085	919,342	3,292,311	3,221,813
Infrastructure	15,782,493	15,843,118	17,676,854	17,264,316	33,459,347	33,107,434
Construction in Progress	537,923	166,043	1,894,797	300,720	2,432,720	466,763
<b>Total Capital Assets</b>	<b>\$ 50,926,073</b>	<b>\$ 51,215,414</b>	<b>\$ 22,898,654</b>	<b>\$ 20,868,906</b>	<b>\$ 73,824,727</b>	<b>\$ 72,084,320</b>

The Town’s debt burden is reasonable in relation to other communities its size. Outstanding long-term debt, as of June 30, 2014, totaled \$33,247,513. 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 \$1,176,176 at June 30, 2014.

Long-term debt consists of the following:

Golf Projects	\$	56,000
Sewer Projects		2,506,977
Water Projects		12,901,398
Ambulance		486,000
Sanitation		423,722
Governmental		16,873,416
	\$	<u>33,247,513</u>

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

### ***Economic Factors and Next Year's Budget and Rates***

The development of the fiscal year 2015 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 original appropriation increased from \$6,864,350 in FY2014 to \$7,400,000 in FY2015, an increase of 7.8%. 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 \$3,389,611 in FY2014 to \$3,853,122 in FY2015, or 13.7%.

As of May, 2015, all labor contracts have been settled through June 30, 2016.

In fiscal year 2015, the Commonwealth of Massachusetts is providing the Town with \$18,161,503 in state aid and assessed the Town for \$3,136,316, resulting in a net increase of \$178,783, or 1.2% over the net amount during FY2014.

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's current rating is Aa3.

The Ambulance enterprise fund has been dissolved for FY2015 and been absorbed into a Fire/Rescue department within the General Fund.

***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 POSITION  
JUNE 30, 2014**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 34,092,794	\$ 12,254,659	\$ 46,347,453
INVESTMENTS	4,287,518	-	4,287,518
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	931,883	-	931,883
TAX LIENS	2,927,712	-	2,927,712
MOTOR VEHICLE EXCISE TAXES	334,922	-	334,922
USER FEES	-	1,574,736	1,574,736
DEPARTMENTAL AND OTHER	989,343	-	989,343
INTERGOVERNMENTAL	1,432,006	-	1,432,006
DEFERRED AMOUNT ON REFUNDING	30,303	8,555	38,858
OTHER ASSETS	670,260	1,226	671,486
NONCURRENT:			
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
INTERGOVERNMENTAL	882,132	-	882,132
DEFERRED AMOUNT ON REFUNDING	132,870	34,640	167,510
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	50,926,073	22,898,654	73,824,727
TOTAL ASSETS	<u>97,637,816</u>	<u>36,772,470</u>	<u>134,410,286</u>
<b><u>LIABILITIES</u></b>			
CURRENT:			
ACCOUNTS PAYABLE	4,239,043	618,319	4,857,362
ACCRUED LIABILITIES	1,651,588	-	1,651,588
OTHER LIABILITIES	608,848	-	608,848
ACCRUED INTEREST	124,787	80,932	205,719
BONDS AND NOTES PAYABLE	2,918,108	2,029,252	4,947,360
COMPENSATED ABSENCES	391,444	84,630	476,074
NONCURRENT:			
BONDS AND NOTES PAYABLE	14,315,308	14,344,845	28,660,153
COMPENSATED ABSENCES	1,237,514	132,427	1,369,941
POSTEMPLOYMENT BENEFITS	26,319,374	4,735,041	31,054,415
TOTAL LIABILITIES	<u>51,806,014</u>	<u>22,025,446</u>	<u>73,831,460</u>
<b><u>NET POSITION</u></b>			
NET INVESTMENT IN CAPITAL ASSETS	34,215,830	14,822,658	49,038,488
RESTRICTED FOR:			
STREETS	627,172	-	627,172
PERMANENT FUNDS:			
EXPENDABLE	87,707	-	87,707
NONEXPENDABLE	82,096	-	82,096
OTHER PURPOSES	15,434,271	-	15,434,271
UNRESTRICTED	(4,615,274)	(75,634)	(4,690,908)
TOTAL NET POSITION	<u>\$ 45,831,802</u>	<u>\$ 14,747,024</u>	<u>\$ 60,578,826</u>

See accompanying notes to the basic financial statements

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

<b><u>FUNCTIONS/PROGRAMS</u></b>	<b><u>EXPENSES</u></b>	<b><u>PROGRAM REVENUES</u></b>			<b><u>NET (EXPENSE) REVENUE</u></b>
		<b><u>CHARGES FOR SERVICES</u></b>	<b><u>OPERATING GRANTS AND CONTRIBUTIONS</u></b>	<b><u>CAPITAL GRANTS AND CONTRIBUTIONS</u></b>	
<b>PRIMARY GOVERNMENT:</b>					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 3,536,670	\$ 305,957	\$ 43,994	\$ -	\$ (3,186,719)
PUBLIC SAFETY	9,977,900	741,186	258,973	40,030	(8,937,711)
EDUCATION	45,912,833	1,585,196	17,790,709	-	(26,536,928)
PUBLIC WORKS	3,309,856	13,998	144,774	-	(3,151,084)
HUMAN SERVICES	1,309,427	111,298	588,651	-	(609,478)
CULTURE & RECREATION	1,609,011	97,646	76,095	-	(1,435,270)
EMPLOYEE BENEFITS	30,772,012	3,404,670	10,783,033	-	(16,584,309)
STATE & COUNTY ASSESSMENTS	3,176,218	-	-	-	(3,176,218)
INTEREST	618,875	-	-	-	(618,875)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>100,222,802</b>	<b>6,259,951</b>	<b>29,686,229</b>	<b>40,030</b>	<b>(64,236,592)</b>
BUSINESS-TYPE ACTIVITIES:					
WATER	4,247,945	3,852,500	294,868	87,831	(12,746)
SEWER	6,374,262	6,664,941	60,153	-	350,832
OTHER	5,109,726	3,626,296	54,857	-	(1,428,573)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>15,731,933</b>	<b>14,143,737</b>	<b>409,878</b>	<b>87,831</b>	<b>(1,090,487)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 115,954,735</b>	<b>\$ 20,403,688</b>	<b>\$ 30,096,107</b>	<b>\$ 127,861</b>	<b>\$ (65,327,079)</b>

See accompanying notes to the basic financial statements

(continued)

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

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>CHANGES IN NET POSITION:</b>			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (64,236,592)	\$ (1,090,487)	\$ (65,327,079)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	54,293,276	-	54,293,276
MOTOR VEHICLE EXCISE TAXES	3,372,491	-	3,372,491
HOTEL/MOTEL TAX	648,295	-	648,295
PENALTIES AND INTEREST ON TAXES	511,278	-	511,278
PAYMENTS IN LIEU OF TAXES	1,297,704	-	1,297,704
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	5,495,141	-	5,495,141
UNRESTRICTED INVESTMENT INCOME	213,973	-	213,973
MISCELLANEOUS	440,776	-	440,776
TRANSFERS, NET	(1,038,216)	1,038,216	-
TOTAL GENERAL REVENUES AND TRANSFERS	65,234,718	1,038,216	66,272,934
CHANGE IN NET POSITION	998,126	(52,271)	945,855
<b>NET POSITION:</b>			
<b>BEGINNING OF YEAR</b>	44,833,676	14,799,295	59,632,971
<b>END OF YEAR</b>	\$ 45,831,802	\$ 14,747,024	\$ 60,578,826

See accompanying notes to the basic financial statements

(concluded)

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

<u>ASSETS</u>	<u>GENERAL</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
CASH AND SHORT-TERM INVESTMENTS	\$ 19,129,955	\$ 10,137,209	\$ 29,267,164
INVESTMENTS	4,287,518	-	4,287,518
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	931,883	-	931,883
TAX LIENS	2,927,712	-	2,927,712
MOTOR VEHICLE EXCISE TAXES	334,922	-	334,922
DEPARTMENTAL AND OTHER	501,281	488,062	989,343
INTERGOVERNMENTAL	1,176,176	1,137,962	2,314,138
OTHER ASSETS	45,399	-	45,399
<b>TOTAL ASSETS</b>	<b>\$ 29,334,846</b>	<b>\$ 11,763,233</b>	<b>\$ 41,098,079</b>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
LIABILITIES:			
ACCOUNTS PAYABLE	\$ 2,820,967	\$ 385,586	\$ 3,206,553
ACCRUED LIABILITIES	1,651,588	-	1,651,588
OTHER LIABILITIES	274,091	334,757	608,848
NOTES PAYABLE	-	360,000	360,000
<b>TOTAL LIABILITIES</b>	<b>4,746,646</b>	<b>1,080,343</b>	<b>5,826,989</b>
DEFERRED INFLOWS OF RESOURCES:			
DEFERRED PROPERTY TAXES	3,859,523	-	3,859,523
DEFERRED INTERGOVERNMENTAL REVENUE	1,176,176	627,172	1,803,348
DEFERRED OTHER REVENUE	501,281	488,062	989,343
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>5,536,980</b>	<b>1,115,234</b>	<b>6,652,214</b>
FUND BALANCES:			
NONSPENDABLE	-	82,096	82,096
RESTRICTED	-	10,392,916	10,392,916
COMMITTED	184,014	-	184,014
ASSIGNED	5,364,341	-	5,364,341
UNASSIGNED	13,502,865	(907,356)	12,595,509
<b>TOTAL FUND BALANCES</b>	<b>19,051,220</b>	<b>9,567,656</b>	<b>28,618,876</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>	<b>\$ 29,334,846</b>	<b>\$ 11,763,233</b>	<b>\$ 41,098,079</b>

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, 2014**

	<u>GENERAL</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES:</b>			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 53,752,566	\$ -	\$ 53,752,566
MOTOR VEHICLE EXCISE TAXES	3,727,532	-	3,727,532
PENALTIES AND INTEREST ON TAXES	511,277	-	511,277
INTERGOVERNMENTAL	28,622,598	3,958,161	32,580,759
CHARGES FOR SERVICES	-	1,540,773	1,540,773
HOTEL AND MEALS TAXES	648,294	-	648,294
PAYMENTS IN LIEU OF TAXES	-	1,297,703	1,297,703
INVESTMENT INCOME	61,641	11,848	73,489
CONTRIBUTIONS & DONATIONS	-	61,754	61,754
DEPARTMENTAL AND OTHER	3,520,224	879,747	4,399,971
TOTAL REVENUES	<u>90,844,132</u>	<u>7,749,986</u>	<u>98,594,118</u>
<b>EXPENDITURES:</b>			
CURRENT:			
GENERAL GOVERNMENT	3,186,112	280,033	3,466,145
PUBLIC SAFETY	9,327,087	436,580	9,763,667
EDUCATION	40,145,731	5,605,033	45,750,764
PUBLIC WORKS	2,538,182	795,472	3,333,654
HUMAN SERVICES	1,147,497	308,597	1,456,094
CULTURE & RECREATION	1,369,053	186,949	1,556,002
EMPLOYEE BENEFITS	22,937,942	-	22,937,942
STATE & COUNTY ASSESSMENTS	3,176,218	-	3,176,218
DEBT SERVICE			
PRINCIPAL	2,468,059	65,000	2,533,059
INTEREST	564,522	38,767	603,289
TOTAL EXPENDITURES	<u>86,860,403</u>	<u>7,716,431</u>	<u>94,576,834</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>3,983,729</u>	<u>33,555</u>	<u>4,017,284</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
PROCEEDS FROM BONDS AND NOTES	-	2,603,190	2,603,190
OPERATING TRANSFERS IN	131,952	697,118	829,070
OPERATING TRANSFERS OUT	(1,000,662)	(866,624)	(1,867,286)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(868,710)</u>	<u>2,433,684</u>	<u>1,564,974</u>
<b>NET CHANGE IN FUND BALANCES</b>	3,115,019	2,467,239	5,582,258
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>15,936,201</u>	<u>7,100,417</u>	<u>23,036,618</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 19,051,220</u>	<u>\$ 9,567,656</u>	<u>\$ 28,618,876</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 POSITION  
JUNE 30, 2014**

<b>TOTAL GOVERNMENTAL FUND BALANCES</b>		\$	28,618,876
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS			50,926,073
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS			6,652,214
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			4,418,001
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE			(124,787)
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	(16,873,416)		
DEFERRED AMOUNT ON BOND REFUNDING	163,173		
COMPENSATED ABSENCES	(1,628,958)		
POSTEMPLOYMENT BENEFITS	<u>(26,319,374)</u>		
NET EFFECT OF REPORTING LONG-TERM LIABILITIES			<u>(44,658,575)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b>\$</b>	<b><u>45,831,802</u></b>

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, 2014**

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>		<b>\$ 5,582,258</b>
<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	1,664,759	
DEPRECIATION EXPENSE	<u>(1,994,130)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		(329,371)
<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>		
		(278,657)
<p>THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES DOES NOT PROVIDE FOR THE RECOGNITION OF REVENUE FROM DONATED INFRASTRUCTURE AND IS ONLY RECOGNIZED IN THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES.</p>		
		40,030
<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 BONDS AND NOTES	(2,603,190)	
DEBT SERVICE PRINCIPAL PAYMENTS	2,533,059	
AMORTIZATION OF DEFERRED AMOUNT ON BOND REFUNDING	<u>(30,304)</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		(100,435)
<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	(18,559)	
NET CHANGE IN POSTEMPLOYMENT BENEFITS	(5,052,376)	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>14,718</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		(5,056,217)
<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>1,140,518</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 998,126</u></b>

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, 2014**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE OVER/ (UNDER)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<b>REVENUES:</b>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 53,621,303	\$ 53,621,303	\$ 53,752,566	\$ 131,263
MOTOR VEHICLE EXCISE TAXES	2,650,000	2,650,000	3,727,532	1,077,532
PENALTIES & INTEREST ON TAXES	385,000	385,000	511,277	126,277
INTERGOVERNMENTAL	18,061,862	18,061,862	18,338,551	276,689
HOTEL/MOTEL OCCUPANCY TAX	480,000	480,000	648,294	168,294
INVESTMENT INCOME	15,000	15,000	27,079	12,079
DEPARTMENTAL AND OTHER	2,875,961	2,875,961	3,520,224	644,263
<b>TOTAL REVENUES</b>	<u>78,089,126</u>	<u>78,089,126</u>	<u>80,525,523</u>	<u>2,436,397</u>
<b>EXPENDITURES:</b>				
CURRENT:				
GENERAL GOVERNMENT	4,753,970	4,685,730	3,186,112	1,499,618
PUBLIC SAFETY	9,515,718	9,545,457	9,327,087	218,370
EDUCATION	41,094,371	41,094,371	40,145,731	948,640
PUBLIC WORKS	2,367,882	2,367,882	2,538,182	(170,300)
HUMAN SERVICES	1,127,727	1,192,727	1,147,497	45,230
CULTURE & RECREATION	1,449,294	1,449,294	1,369,053	80,241
EMPLOYEE BENEFITS	12,264,671	12,909,686	12,657,689	251,997
STATE & COUNTY ASSESSMENTS	2,968,121	2,968,121	3,176,218	(208,097)
DEBT SERVICE:				
PRINCIPAL	2,819,359	2,819,359	2,468,059	351,300
INTEREST	804,549	804,549	560,729	243,820
<b>TOTAL EXPENDITURES</b>	<u>79,165,662</u>	<u>79,837,176</u>	<u>76,576,357</u>	<u>3,260,819</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,076,536)</u>	<u>(1,748,050)</u>	<u>3,949,166</u>	<u>5,697,216</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
OPERATING TRANSFERS IN	56,330	56,330	131,952	75,622
OPERATING TRANSFERS OUT	(1,729,273)	(1,729,273)	(1,000,662)	728,611
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,672,943)</u>	<u>(1,672,943)</u>	<u>(868,710)</u>	<u>804,233</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(2,749,479)</u>	<u>(3,420,993)</u>	<u>3,080,456</u>	<u>6,501,449</u>
<b>BUDGETARY FUND BALANCE, BEGINNING OF YEAR</b>	<u>11,282,767</u>	<u>11,282,767</u>	<u>11,282,767</u>	<u>-</u>
<b>BUDGETARY FUND BALANCE, END OF YEAR</b>	<u>\$ 8,533,288</u>	<u>\$ 7,861,774</u>	<u>\$ 14,363,223</u>	<u>\$ 6,501,449</u>

See accompanying notes to the basic financial statements

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

<b>ASSETS</b>	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>				<b>GOVERNMENTAL</b>
	<b>WATER</b>	<b>SEWER</b>	<b>NONMAJOR ENTERPRISE FUNDS</b>	<b>TOTAL</b>	<b>ACTIVITIES INTERNAL SERVICE FUNDS</b>
CURRENT:					
CASH AND SHORT-TERM INVESTMENTS	\$ 6,165,790	\$ 3,289,844	\$ 2,799,025	\$ 12,254,659	\$ 4,825,630
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	312,221	948,851	313,664	1,574,736	-
DEFERRED AMOUNT ON REFUNDING	4,109	4,446	-	8,555	-
OTHER ASSETS	-	734	492	1,226	624,861
<b>TOTAL CURRENT ASSETS</b>	<b>6,482,120</b>	<b>4,243,875</b>	<b>3,113,181</b>	<b>13,839,176</b>	<b>5,450,491</b>
NONCURRENT:					
DEFERRED AMOUNT ON REFUNDING	11,738	22,902	-	34,640	-
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	12,692,097	9,198,908	1,007,649	22,898,654	-
<b>TOTAL NONCURRENT ASSETS</b>	<b>12,703,835</b>	<b>9,221,810</b>	<b>1,007,649</b>	<b>22,933,294</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>19,185,955</b>	<b>13,465,685</b>	<b>4,120,830</b>	<b>36,772,470</b>	<b>5,450,491</b>
<b>LIABILITIES</b>					
CURRENT:					
ACCOUNTS PAYABLE	514,720	52,014	51,585	618,319	1,032,490
ACCRUED INTEREST	55,758	17,516	7,658	80,932	-
BONDS AND NOTES PAYABLE	1,498,080	326,067	205,105	2,029,252	-
COMPENSATED ABSENCES	19,417	11,077	54,136	84,630	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,087,975</b>	<b>406,674</b>	<b>318,484</b>	<b>2,813,133</b>	<b>1,032,490</b>
NONCURRENT:					
BONDS AND NOTES PAYABLE	11,403,318	2,180,910	760,617	14,344,845	-
COMPENSATED ABSENCES	36,435	20,138	75,854	132,427	-
POSTEMPLOYMENT BENEFITS	896,460	591,295	3,247,286	4,735,041	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>12,336,213</b>	<b>2,792,343</b>	<b>4,083,757</b>	<b>19,212,313</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>14,424,188</b>	<b>3,199,017</b>	<b>4,402,241</b>	<b>22,025,446</b>	<b>1,032,490</b>
<b>NET POSITION</b>					
NET INVESTMENT IN CAPITAL ASSETS	6,712,077	8,039,987	70,594	14,822,658	-
UNRESTRICTED	(1,950,310)	2,226,681	(352,005)	(75,634)	4,418,001
<b>TOTAL NET POSITION</b>	<b>\$ 4,761,767</b>	<b>\$ 10,266,668</b>	<b>\$ (281,411)</b>	<b>\$ 14,747,024</b>	<b>\$ 4,418,001</b>

See accompanying notes to the basic financial statements

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

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL</u>
	<u>WATER</u>	<u>SEWER</u>	<u>NONMAJOR ENTERPRISE FUNDS</u>	<u>TOTAL</u>	<u>ACTIVITIES INTERNAL SERVICE FUNDS</u>
<b><u>OPERATING REVENUES:</u></b>					
CHARGES FOR SERVICES	\$ 3,852,500	\$ 6,664,941	\$ 3,626,296	\$ 14,143,737	\$ -
EMPLOYER CONTRIBUTIONS	-	-	-	-	7,659,689
EMPLOYEE CONTRIBUTIONS	-	-	-	-	3,404,670
DEPARTMENTAL AND OTHER	<u>222,870</u>	<u>53,683</u>	<u>33,753</u>	<u>310,306</u>	<u>494,527</u>
TOTAL OPERATING REVENUES	<u>4,075,370</u>	<u>6,718,624</u>	<u>3,660,049</u>	<u>14,454,043</u>	<u>11,558,886</u>
<b><u>OPERATING EXPENSES:</u></b>					
GENERAL SERVICES	3,311,066	5,810,290	4,212,850	13,334,206	-
DEPRECIATION	460,007	353,092	167,242	980,341	-
EMPLOYEE BENEFITS	<u>134,533</u>	<u>115,973</u>	<u>707,324</u>	<u>957,830</u>	<u>10,422,824</u>
TOTAL OPERATING EXPENSES	<u>3,905,606</u>	<u>6,279,355</u>	<u>5,087,416</u>	<u>15,272,377</u>	<u>10,422,824</u>
OPERATING INCOME (LOSS)	<u>169,764</u>	<u>439,269</u>	<u>(1,427,367)</u>	<u>(818,334)</u>	<u>1,136,062</u>
<b><u>NON-OPERATING REVENUES (EXPENSES):</u></b>					
INTERGOVERNMENTAL	87,831	-	-	87,831	-
INVESTMENT INCOME	71,998	6,470	21,104	99,572	4,456
INTEREST EXPENSE	<u>(342,339)</u>	<u>(94,907)</u>	<u>(22,310)</u>	<u>(459,556)</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	<u>(182,510)</u>	<u>(88,437)</u>	<u>(1,206)</u>	<u>(272,153)</u>	<u>4,456</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(12,746)</u>	<u>350,832</u>	<u>(1,428,573)</u>	<u>(1,090,487)</u>	<u>1,140,518</u>
<b><u>OPERATING TRANSFERS:</u></b>					
OPERATING TRANSFERS IN	805,878	-	386,313	1,192,191	-
OPERATING TRANSFERS OUT	<u>(95,501)</u>	<u>(39,239)</u>	<u>(19,235)</u>	<u>(153,975)</u>	<u>-</u>
TOTAL OPERATING TRANSFERS	<u>710,377</u>	<u>(39,239)</u>	<u>367,078</u>	<u>1,038,216</u>	<u>-</u>
CHANGE IN NET POSITION	697,631	311,593	(1,061,495)	(52,271)	1,140,518
NET POSITION AT BEGINNING OF YEAR	<u>4,064,136</u>	<u>9,955,075</u>	<u>780,084</u>	<u>14,799,295</u>	<u>3,277,483</u>
NET POSITION AT END OF YEAR	<u>\$ 4,761,767</u>	<u>\$ 10,266,668</u>	<u>\$ (281,411)</u>	<u>\$ 14,747,024</u>	<u>\$ 4,418,001</u>

See accompanying notes to the basic financial statements

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

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL</u>
	<u>WATER</u>	<u>SEWER</u>	<u>NONMAJOR ENTERPRISE FUNDS</u>	<u>TOTAL</u>	<u>ACTIVITIES INTERNAL SERVICE FUNDS</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>					
EMPLOYER CONTRIBUTIONS	\$ -	\$ -	\$ -	\$ -	\$ 7,659,689
EMPLOYEE CONTRIBUTIONS	-	-	-	-	3,404,670
RECEIPTS FROM CUSTOMERS AND USERS	4,035,265	6,634,734	3,654,208	14,324,207	494,527
PAYMENTS TO SUPPLIERS	(2,169,311)	(5,117,366)	(1,898,583)	(9,185,260)	(10,565,277)
PAYMENTS TO EMPLOYEES	(1,115,752)	(680,207)	(2,317,150)	(4,113,109)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>750,202</u>	<u>837,161</u>	<u>(561,525)</u>	<u>1,025,838</u>	<u>993,609</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>					
OPERATING TRANSFERS IN	805,878	-	386,313	1,192,191	-
OPERATING TRANSFERS (OUT)	(95,501)	(39,239)	(19,235)	(153,975)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>710,377</u>	<u>(39,239)</u>	<u>367,078</u>	<u>1,038,216</u>	<u>-</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>					
PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	238,665	55,912	75,000	369,577	-
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(1,295,272)	(333,320)	(208,570)	(1,837,162)	-
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(2,151,234)	(218,715)	(269,469)	(2,639,418)	-
INTEREST EXPENSE	(298,097)	(98,231)	(19,553)	(415,881)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(3,505,938)</u>	<u>(594,354)</u>	<u>(422,592)</u>	<u>(4,522,884)</u>	<u>-</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>					
INTEREST RECEIVED	71,998	6,470	21,104	99,572	4,456
NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	(1,973,361)	210,038	(595,935)	(2,359,258)	998,065
CASH AND SHORT-TERM INVESTMENTS - BEGINNING OF YEAR	<u>8,139,151</u>	<u>3,079,806</u>	<u>3,394,960</u>	<u>14,613,917</u>	<u>3,827,565</u>
CASH AND SHORT-TERM INVESTMENTS - END OF YEAR	<u>\$ 6,165,790</u>	<u>\$ 3,289,844</u>	<u>\$ 2,799,025</u>	<u>\$ 12,254,659</u>	<u>\$ 4,825,630</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u></b>					
OPERATING INCOME (LOSS)	\$ 169,764	\$ 439,269	\$ (1,427,367)	\$ (818,334)	\$ 1,136,062
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
DEPRECIATION	460,007	353,092	167,242	980,341	-
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(39,745)	(83,889)	(5,841)	(129,475)	-
(INCREASE) DECREASE IN DEPOSITS	-	(734)	(492)	(1,226)	-
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	23,699	12,541	(25,713)	10,527	(142,453)
INCREASE (DECREASE) IN ACCRUED COMPENSATED ABSENCES	1,944	909	23,322	26,175	-
INCREASE (DECREASE) IN POSTEMPLOYMENT BENEFITS	134,533	115,973	707,324	957,830	-
TOTAL ADJUSTMENTS	<u>580,438</u>	<u>397,892</u>	<u>865,842</u>	<u>1,844,172</u>	<u>(142,453)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 750,202</u>	<u>\$ 837,161</u>	<u>\$ (561,525)</u>	<u>\$ 1,025,838</u>	<u>\$ 993,609</u>

See accompanying notes to the basic financial statements

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

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<b><u>ASSETS</u></b>		
CASH AND SHORT-TERM INVESTMENTS	\$ 3,319	\$ 974,400
INVESTMENTS	<u>1,774,317</u>	<u>-</u>
TOTAL ASSETS	<u>1,777,636</u>	<u>974,400</u>
<b><u>LIABILITIES</u></b>		
ACCOUNTS PAYABLE	-	67,168
OTHER LIABILITIES	<u>-</u>	<u>907,232</u>
TOTAL LIABILITIES	<u>-</u>	<u>974,400</u>
<b><u>NET POSITION</u></b>		
HELD IN TRUST FOR OTHER PURPOSES	<u>\$ 1,777,636</u>	<u>\$ -</u>

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

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

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<b><u>ADDITIONS:</u></b>	
NET INVESTMENT INCOME (LOSS):	
INVESTMENT INCOME (LOSS)	<u>\$ 226,117</u>
<b><u>DEDUCTIONS:</u></b>	
GENERAL GOVERNMENT	300
EDUCATION	<u>35,000</u>
TOTAL DEDUCTIONS	<u>35,300</u>
CHANGE IN NET POSITION	190,817
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>1,586,819</u>
<b>NET POSITION AT END OF YEAR</b>	<u><u>\$ 1,777,636</u></u>

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

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

---

---

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

The accompanying basic financial statements of the Town of 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:

<u>Name</u>	<u>Purpose</u>	<u>Address</u>	<u>Annual Assessment</u>
Southeast Regional Vocational School District	To provide vocational education	250 Foundry Street Easton, MA 02375	\$ 1,140,530
Brockton Area Transit Authority	To provide public transportation	45 School Street Brockton, MA. 02301	\$ 138,046

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, 2014**

---

---

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

*Major Fund Criteria*

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

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

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

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, 2014**

---

---

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

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

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

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

*Fund Financial Statements*

***Governmental Fund Financial Statements***

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

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

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

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

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

---

---

The Town reports the following major governmental funds:

- The *General fund* is the primary operating fund of the Town. It is used to account for all financial resources, except those that are required to be accounted for in another fund.
- The *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, 2014**

---

---

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***

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

**D. Cash and Investments**

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

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

**E. Accounts Receivable**

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

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

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

---

---

*Real Estate, Personal Property Taxes and Tax Liens*

Real estate and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent November 1 and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges. By law, all taxable property in the Commonwealth must be assessed at 100% of fair market value. Once levied, which is required to be at least 30 days prior to the due date, these taxes are recorded as receivables in the fiscal year of levy. Based on the Town's experience, most property taxes are collected during the year in which they are assessed. 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 veterans receivables and Title V betterments are recorded as receivables in the fiscal year accrued. The Title V betterments 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, 2014**

---

---

*Intergovernmental*

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

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

**F. Inventories**

*Government-Wide and Fund Financial Statements*

Inventories of the governmental funds and the 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, 2014**

---

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:

<b>Asset Class</b>	<b>Estimated Useful Life (in years)</b>
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 position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

*Fund Financial Statements*

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

**I. Interfund Transfers**

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

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

---

---

*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 position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

*Fund Financial Statements*

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

**J. Deferred Inflows of Resources**

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

**K. Net Position and Fund Equity**

*Government-Wide Financial Statements (Net Position)*

Net position are classified into three components:

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

Net position have been “restricted” for the following:

- *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.

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

---

---

3. *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”

*Fund Financial Statements (Fund Balances)*

The Town uses the following criteria for fund balance classification:

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

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

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

**L. Long-term debt**

*Government-Wide and Proprietary Fund Financial Statements*

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

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

---

---

*Governmental Fund Financial Statements*

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

**M. Investment Income**

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

**N. Compensated Absences**

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

*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

**O. 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.

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

---

---

**P. Use of Estimates**

*Government-Wide and Fund Financial Statements*

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

**Q. Total Column**

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**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 2014 approved budget authorized \$78,087,739 in current year appropriations and other amounts to be raised and \$1,077,923 in encumbrances and appropriations carried over from previous fiscal years. Supplemental appropriations of \$671,514 was approved at one Town Meetings for fiscal year 2014.

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

---

---

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

*B. Budgetary – GAAP Reconciliation*

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

Net change in fund balance - budgetary basis	\$ 3,080,456
Basis of accounting differences:	
Net stabilization fund activity	34,563
Increase in revenue for on-behalf payments - MTRS	10,280,254
Increase in expenditures for on-behalf payments - MTRS	(10,280,254)
Increase in revenue for MWPAT interest subsidy	3,793
Increase in expenditures for MWPAT interest subsidy	<u>(3,793)</u>
Net change in fund balance - GAAP basis	<u><u>\$ 3,115,019</u></u>

*D. Deficit Fund Balances*

Several individual fund deficits exist within the special revenue funds 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 2015.

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

---

---

**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), and the Depositor’s Insurance Fund (DIF). The Town also carries deposits that are uninsured and uncollateralized.

The following table illustrates how much of the Town’s bank deposits are insured, and how much of the Town’s bank deposits are uninsured and uncollateralized as of June 30, 2014:

Total bank balances		<u>\$ 44,367,560</u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	2,256,236	
Depositors Insurance Fund (DIF)	<u>2,274,919</u>	
Total bank balances covered by deposit insurance		4,531,155
Balances subject to custodial credit risk		
Bank balances uninsured & uncollateralized	<u>39,836,405</u>	
Total bank balances subject to custodial credit risk		<u>39,836,405</u>
Total bank balances		<u>\$ 44,367,560</u>

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

*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	Ratings as of Year End							
			AA+	Aaa	A+	A-	BBB+	BBB	BBB-	Unrated
Corporate Bonds	\$ 434,275	N/A	\$ 50,599	\$ -	\$ 27,447	\$ 131,753	\$ 147,268	\$ 49,803	\$ 27,405	\$ -
U.S. Treasury/Agency Securities	1,295,025	N/A	1,211,432	83,593	-	-	-	-	-	-
Certificate of Deposits	2,625,490	N/A	-	-	-	-	-	-	-	2,625,490
Common Stock	462,109	N/A	-	-	-	-	-	-	-	462,109
Fixed income mutual funds	454,914	N/A	-	-	-	-	-	-	-	454,914
Equity mutual funds	686,752	N/A	-	-	-	-	-	-	-	686,752
Money market mutual funds	103,270	N/A	-	-	-	-	-	-	-	103,270
<b>Total Investments</b>	<b>\$ 6,061,835</b>		<b>\$ 1,262,031</b>	<b>\$ 83,593</b>	<b>\$ 27,447</b>	<b>\$ 131,753</b>	<b>\$ 147,268</b>	<b>\$ 49,803</b>	<b>\$ 27,405</b>	<b>\$ 4,332,535</b>

- *Custodial Credit Risk*

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The Town has no custodial credit risk exposure related to the corporate bonds, or the common stock 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.

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

- *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
<b><i>Debt Related Securities:</i></b>			
Corporate bonds	\$ 434,275	\$ -	\$ 434,275
Fixed Income Mutual Funds	454,914	454,914	-
Certificate of Deposit	2,625,490	-	2,625,490
U.S. Treasury/Agency Securities	1,295,025	-	1,295,025
<b>Total - Debt related securities</b>	<b>4,809,704</b>	<b>454,914</b>	<b>4,354,790</b>
<b><i>Other Investments:</i></b>			
Equity mutual funds	686,752	686,752	-
Money market mutual funds	103,270	103,270	-
Common Stock	462,109	462,109	-
<b>Total Other Investments</b>	<b>1,252,131</b>	<b>1,252,131</b>	<b>-</b>
<b>Total Investments</b>	<b>\$ 6,061,835</b>	<b>\$ 1,707,045</b>	<b>\$ 4,354,790</b>

- *Concentration of Credit Risk*

The Town places no limit on the amount the government may invest in any one issuer. More than 5% of the Town's investments are in the following securities:

Issuer	Percentage of Total Investments
Peoples United Bank - Certificate of Deposit	33.17%

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

**NOTE 4 – RECEIVABLES**

The receivables at June 30, 2014 for the Town’s individual major and nonmajor governmental 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	\$ 998,583	\$ (66,700)	\$ 931,883
Tax liens	2,927,712	-	2,927,712
Motor vehicle excise taxes	558,222	(223,300)	334,922
Departmental and other	989,343	-	989,343
Intergovernmental	2,314,138	-	2,314,138
<b>Total</b>	<b>\$ 7,787,998</b>	<b>\$ (290,000)</b>	<b>\$ 7,497,998</b>

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

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water</i>			
User fees	\$ 312,221	\$ -	\$ 312,221
<i>Sewer</i>			
User fees	948,851	-	948,851
<i>Nonmajor Enterprise Funds</i>			
Ambulance - User fees	923,161	(669,177)	253,984
Sanitation - User fees	59,680	-	59,680
	<u>982,841</u>	<u>(669,177)</u>	<u>313,664</u>
<b>Total</b>	<b>\$ 2,243,913</b>	<b>\$ (669,177)</b>	<b>\$ 1,574,736</b>

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

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 Inflow of Resources

Deferred Inflow:	General Fund	Nonmajor Governmental Funds	Total
Deferred Property Taxes	\$ 3,859,523	\$ -	\$ 3,859,523
Deferred Other Revenue	501,281	488,062	989,343
Deferred Intergovernmental Revenue	1,176,176	627,172	1,803,348
Total	<u>\$ 5,536,980</u>	<u>\$ 1,115,234</u>	<u>\$ 6,652,214</u>

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

**NOTE 5 – CAPITAL ASSETS**

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

<b>Governmental Activities:</b>	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 12,615,951	\$ 191,000	\$ -	\$ 12,806,951
Construction in progress	166,043	371,880	-	537,923
Total capital assets not being depreciated	<u>12,781,994</u>	<u>562,880</u>	<u>-</u>	<u>13,344,874</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	44,419,306	8,693	-	44,427,999
Capital improvements (other than buildings)	887,015	-	-	887,015
Machinery and equipment	2,203,859	319,897	(17,209)	2,506,547
Vehicles	6,540,317	354,270	(166,957)	6,727,630
Infrastructure	33,890,555	459,049	-	34,349,604
Total capital assets being depreciated	<u>87,941,052</u>	<u>1,141,909</u>	<u>(184,166)</u>	<u>88,898,795</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(25,230,101)	(878,148)	-	(26,108,249)
Capital improvements (other than buildings)	(456,811)	(35,655)	-	(492,466)
Machinery and equipment	(1,535,437)	(162,138)	17,209	(1,680,366)
Vehicles	(4,237,846)	(398,515)	166,957	(4,469,404)
Infrastructure	(18,047,437)	(519,674)	-	(18,567,111)
Total accumulated depreciation	<u>(49,507,632)</u>	<u>(1,994,130)</u>	<u>184,166</u>	<u>(51,317,596)</u>
Total capital assets being depreciated, net	<u>38,433,420</u>	<u>(852,221)</u>	<u>-</u>	<u>37,581,199</u>
Total governmental activities capital assets, net	<u>\$ 51,215,414</u>	<u>\$ (289,341)</u>	<u>\$ -</u>	<u>\$ 50,926,073</u>

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

<b>Business-Type Activities:</b>	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 882,079	\$ -	\$ -	\$ 882,079
Construction in progress	300,720	1,594,077	-	1,894,797
Total capital assets not being depreciated	1,182,799	1,594,077	-	2,776,876
<i>Capital assets being depreciated:</i>				
Buildings and improvements	2,074,339	-	-	2,074,339
Capital improvements (other than buildings)	205,707	-	-	205,707
Machinery and equipment	728,819	-	-	728,819
Vehicles	3,348,143	327,898	(150,855)	3,525,186
Infrastructure	33,225,759	1,088,114	-	34,313,873
Total capital assets being depreciated	39,582,767	1,416,012	(150,855)	40,847,924
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(715,067)	(60,109)	-	(775,176)
Capital improvements (other than buildings)	(205,707)	-	-	(205,707)
Machinery and equipment	(585,642)	(31,501)	-	(617,143)
Vehicles	(2,428,801)	(213,155)	150,855	(2,491,101)
Infrastructure	(15,961,443)	(675,576)	-	(16,637,019)
Total accumulated depreciation	(19,896,660)	(980,341)	150,855	(20,726,146)
Total capital assets being depreciated, net	19,686,107	435,671	-	20,121,778
Total business-type activities capital assets, net	\$ 20,868,906	\$ 2,029,748	\$ -	\$ 22,898,654

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

---

---

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

<b>Governmental Activities:</b>	
General government	\$ 70,525
Public safety	412,409
Education	689,004
Public works	724,850
Human services	44,333
Culture and recreation	<u>53,009</u>
Total depreciation expense - governmental activities	<u>\$ 1,994,130</u>
<b>Business-Type Activities:</b>	
Major business type activities:	
Water	\$ 460,007
Sewer	<u>353,092</u>
Total major business type activities	<u>813,099</u>
Non-major business type activities:	
Sanitation	80,068
Golf course	25,719
Ambulance	<u>61,455</u>
Total non-major business type activities	<u>167,242</u>
Total depreciation expense - business-type activities	<u>\$ 980,341</u>

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

**NOTE 6 – INTERFUND TRANSFERS**

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

Operating Transfers Out:	Operating Transfers In:				Total
	General Fund	Nonmajor Government Fund	Water Enterprise Fund	Nonmajor Enterprise Fund	
Nonmajor Governmental Funds	\$ 54,194	\$ -	\$ -	\$ -	\$ 54,194 (1)
Nonmajor Governmental Funds	40,343	-	772,087	-	812,430 (2)
Water Enterprise Fund	13,766	-	-	-	13,766 (1)
Nonmajor Enterprise Funds	18,201	-	-	-	18,201 (1)
General Fund	-	586,300	-	386,313	972,613 (1)
General Fund	-	28,049	-	-	28,049 (2)
Sewer Enterprise Fund	5,448	-	-	-	5,448 (1)
Sewer Enterprise Fund	-	-	33,791	-	33,791 (2)
Water Enterprise Fund	-	81,735	-	-	81,735 (2)
Nonmajor Enterprise Funds	-	1,034	-	-	1,034 (2)
<b>Total</b>	<b>\$ 131,952</b>	<b>\$ 697,118</b>	<b>\$ 805,878</b>	<b>\$ 386,313</b>	<b>\$ 2,021,261</b>

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

(2) Represents other transfers between funds.

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

**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, 2014:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2013	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2014
BAN	School Project	0.60	6/29/2015	\$ -	\$ 160,000	\$ -	\$ 160,000
BAN	Mass. Clean Water Trust	0.00	Open	-	200,000	-	200,000
BAN	Multiple Projects	1.00	3/28/2014	1,078,767	-	(1,078,767)	-
	<b>Total Governmental Funds</b>			<u>1,078,767</u>	<u>360,000</u>	<u>(1,078,767)</u>	<u>360,000</u>
BAN	Water	1.00	3/28/2014	809,000	-	(809,000)	-
BAN	Sanitation	1.00	3/28/2014	270,233	-	(270,233)	-
BAN	Ambulance	1.00	3/28/2014	250,000	-	(250,000)	-
	<b>Total Enterprise Funds</b>			<u>1,329,233</u>	<u>-</u>	<u>(1,329,233)</u>	<u>-</u>
	<b>Total</b>			<u>\$ 2,408,000</u>	<u>\$ 360,000</u>	<u>\$ (2,408,000)</u>	<u>\$ 360,000</u>

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

**NOTE 8 – LONG-TERM DEBT**

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

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

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

Project	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
MWPAT Title V Septic	Var.	\$ 73,325	\$ -	\$ 10,610	\$ 62,715
Municipal Purpose of 2005	4.43%	572,500	-	87,500	485,000
General Obligation Refunding	Var.	1,691,120	-	288,620	1,402,500
Municipal Purpose of 2006	Var.	3,182,500	-	297,500	2,885,000
Municipal Purpose of 2009	Var.	2,406,000	-	334,000	2,072,000
General Obligation Refunding	Var.	1,960,000	-	526,000	1,434,000
Municipal Purpose of 2011	Var.	2,895,000	-	610,000	2,285,000
MWPAT Title V Septic	0.00%	180,000	-	10,000	170,000
General Obligation of 2013	Var.	3,842,840	-	368,829	3,474,011
General Obligation of 2013	Var.	-	2,603,190	-	2,603,190
<b>Total</b>		<b>\$ 16,803,285</b>	<b>\$ 2,603,190</b>	<b>\$ 2,533,059</b>	<b>\$ 16,873,416</b>

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

Fiscal Year	Principal	Interest	Total
2015	\$ 2,558,108	\$ 572,784	\$ 3,130,892
2016	2,258,090	492,575	2,750,665
2017	2,118,450	415,731	2,534,181
2018	1,837,773	343,371	2,181,144
2019	1,454,172	274,292	1,728,464
2020-2024	4,109,323	748,155	4,857,478
2025-2029	1,822,500	244,833	2,067,333
2030-2034	715,000	45,463	760,463
<b>Total</b>	<b>\$ 16,873,416</b>	<b>\$ 3,137,204</b>	<b>\$ 20,010,620</b>

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

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

Project	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
MWRA Water Entrance Fee	4.43%	\$ 3,151,964	\$ -	\$ 292,631	\$ 2,859,333
MWPAT Water DW-01-25	Var.	1,740,000	-	150,000	1,590,000
Water Projects of 2005	Var.	77,500	-	12,500	65,000
Water Projects Refunding Bonds	Var.	608,380	-	91,980	516,400
Sewer Projects Refunding Bonds	Var.	395,500	-	59,400	336,100
Water Projects of 2006	3.99% - 4.19%	57,500	-	7,500	50,000
Sewer Projects of 2006	3.86% - 4.19%	410,000	-	45,000	365,000
Water Projects of 2009	2.50% - 5.00%	253,000	-	17,000	236,000
Sewer Projects of 2009	2.50% - 5.00%	386,000	-	36,000	350,000
Golf Projects of 2009	2.50% - 5.00%	35,000	-	9,000	26,000
Ambulance Projects of 2009	2.50% - 5.00%	130,000	-	24,000	106,000
Water Project Refunding 2009	3.50%	50,000	-	10,000	40,000
Ambulance Projects of 2011	Var.	25,000	-	20,000	5,000
Sanitation - Truck	Var.	60,000	-	60,000	-
Sewer Projects of 2011	Var.	390,000	-	50,000	340,000
Water Projects of 2011	Var.	525,000	-	55,000	470,000
MWRA Sewer Loan 2012	0.00%	26,620	-	6,655	19,965
Sanitation - Equipment	2.00%	207,060	-	53,571	153,489
Water Projects of 2013	Var.	6,726,835	-	699,835	6,027,000
Sewer Projects of 2013	Var.	1,176,265	-	136,265	1,040,000
Ambulance Project of 2013	2.00%	75,000	-	25,000	50,000
Golf Projects of 2013	2.00%	47,000	-	17,000	30,000
Sanitation Equipment	1.91%	-	270,233	-	270,233
Sewer Projects of 2014	1.91%	-	55,912	-	55,912
Water Projects of 2014	1.91%	-	1,047,665	-	1,047,665
Ambulance Project of 2014	1.91%	-	325,000	-	325,000
<b>Total</b>		<b>\$ 16,553,624</b>	<b>\$ 1,698,810</b>	<b>\$ 1,878,337</b>	<b>\$ 16,374,097</b>

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

Fiscal Year	Principal	Interest	Total
2015	\$ 2,029,252	\$ 435,793	\$ 2,465,045
2016	1,967,619	384,742	2,352,361
2017	1,946,397	330,317	2,276,714
2018	1,825,183	280,000	2,105,183
2019	1,810,200	233,512	2,043,712
2020-2024	6,145,446	474,344	6,619,790
2025-2029	510,000	74,790	584,790
2030-2033	140,000	8,825	148,825
<b>Total</b>	<b>\$ 16,374,097</b>	<b>\$ 2,222,323</b>	<b>\$ 18,596,420</b>

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

**Changes in Long-term Liabilities**

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

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds and notes payable	\$ 16,803,285	\$ 2,603,190	\$ (2,533,059)	\$ 16,873,416	\$ 2,558,108
Compensated absences	1,610,399	18,559	-	1,628,958	391,444
Postemployment benefits	21,266,998	5,052,376	-	26,319,374	-
Total governmental activities long-term liabilities	<u>\$ 39,680,682</u>	<u>\$ 7,674,125</u>	<u>\$ (2,533,059)</u>	<u>\$ 44,821,748</u>	<u>\$ 2,949,552</u>
<u>Business-Type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds and notes payable	\$ 16,553,624	\$ 1,698,810	\$ (1,878,337)	\$ 16,374,097	\$ 2,029,252
Compensated absences	190,881	26,176	-	217,057	84,630
Postemployment benefits	3,777,211	957,830	-	4,735,041	-
Total business-type activities long-term liabilities	<u>\$ 20,521,716</u>	<u>\$ 2,682,816</u>	<u>\$ (1,878,337)</u>	<u>\$ 21,326,195</u>	<u>\$ 2,113,882</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, 2014**

**Loans Authorized and Unissued**

As of June 30, 2014, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Central Street Sewer	5/10/1999	\$ 13,360
Financial Management Software	5/14/2002	5,000
Sewer Mains	5/5/2008	130,000
Sewer System Improvements	9/30/2009	100,020
Various Capital Projects	5/10/2010	80,240
SPS System Wide Network Upgrade	5/17/2010	975
Town Wide Facilities Repair & Upgrades	5/19/2010	93,000
Red Wing Brook Improvements	5/24/2010	60,000
Sewer System Improvements	5/24/2010	28,725
Library	5/11/2011	14,000,000
Departmental Equipment	5/23/11 & 6/8/2011	19,000
Culvert & Drainage	5/25/11 & 6/8/11	350,000
School Remodeling	5/25/11 & 6/6/11	150,000
Remodeling	6/6/2011	25,000
Land Acquisition	6/6/2011	295,000
Water System - Bishops Landing	5/14/2012	400,000
High School Feasibility Study	5/16/2012	1,000,000
Various Capital Projects	5/30/2012	420,000
Various Capital Projects	6/11/2012	461,000
Various Capital Projects	6/17/2013	2,211,639
Various Capital Projects	6/19/2013	111
Various Capital Projects/Acquisitions	5/5/2014	4,812,790
Various Capital Projects/Acquisitions	5/19/2014	846,000
Various Capital Projects/Acquisitions	5/21/2014	5,516,000
Total		<u>\$ 31,017,860</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.

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

---

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 \$294,044 from scheduled annual payments in FY 2014 from the MSBA for completed school construction projects.

**Overlapping Debt**

The Town pays assessments under formulas which include debt service payments to other governmental agencies providing services to the Town, (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of such governmental agencies and the estimated share being financed by the Town as of June 30, 2014:

Agency	Total Long-Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
MWRA - Sewer Debt	\$ 4,033,856,000	1.053%	\$ 42,463,063
MWRA - Water Debt	2,116,827,000	0.373%	7,899,967
Norfolk County	<u>12,625,000</u>	2.897%	<u>352,111</u>
Total	<u>\$ 6,163,308,000</u>		<u>\$ 50,715,141</u>

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

**NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

	General Fund	Nonmajor Governmental Funds	Total
<b>Fund Balances</b>			
<b>Nonspendable:</b>			
Permanent Fund Principal	\$ -	\$ 82,096	\$ 82,096
<b>Restricted For:</b>			
General Government	-	404,574	404,574
Public Safety	-	893,052	893,052
Education	-	2,644,938	2,644,938
Public Works	-	1,547,315	1,547,315
Human Services	-	725,626	725,626
Culture & Recreation	-	242,045	242,045
Employee Benefits	-	1,416	1,416
Community Preservation	-	3,846,243	3,846,243
Expendable Trust Funds	-	87,707	87,707
	-	10,392,916	10,392,916
<b>Committed To:</b>			
<b>Continuing Appropriations</b>			
General Government	183,577	-	183,577
Public Works	437	-	437
	184,014	-	184,014
<b>Assigned To:</b>			
<b>Encumbered For:</b>			
General Government	146,260	-	146,260
Public Safety	16,280	-	16,280
Education	425,122	-	425,122
Public Works	128,139	-	128,139
Human Services	10,139	-	10,139
Culture & Recreation	4,585	-	4,585
Employee Benefits	119,657	-	119,657
Subsequent Years Expenditures	3,248,750	-	3,248,750
Future BLDG - Stabilization Fund	1,265,409	-	1,265,409
	5,364,341	-	5,364,341
<b>Unassigned</b>			
General Fund	8,828,192	-	8,828,192
General Stabilization Fund	4,674,673	-	4,674,673
<b>Nonmajor Governmental Funds</b>			
Public Safety	-	(77,227)	(77,227)
Education	-	(631,628)	(631,628)
Public Works	-	(7,222)	(7,222)
Human Services	-	(4,408)	(4,408)
Culture & Recreation	-	(6,704)	(6,704)
<b>Nonmajor Capital Projects</b>			
General Government	-	(1,975)	(1,975)
Public Safety	-	(490)	(490)
Education	-	(172,812)	(172,812)
Public Works	-	(4,890)	(4,890)
	13,502,865	(907,356)	12,595,509
<b>Total Governmental Fund Balances</b>	<b>\$ 19,051,220</b>	<b>\$ 9,567,656</b>	<b>\$ 28,618,876</b>

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

---

---

**NOTE 10 – STABILIZATION FUND**

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

- The *Stabilization Fund* can be used for any appropriation, as approved by a 2/3 vote at the Annual or Special Town Meeting for additions or reductions to the fund. Any interest shall be added to and become part of the fund. The fund was established under chapter 40, sub section 5B of the Massachusetts General Law. The fund has been classified as an unassigned fund balance in the general fund.
- The *Future Building Fund* is a stabilization fund that is intended to be used to defray interest costs on major future building projects.. The additions or the use of the fund requires a 2/3 vote of the Annual or Special Town Meeting. The fund has been classified as an assigned fund balance in the general fund.

**NOTE 11 – RISK FINANCING**

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

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$1,000,000 per claim in all matters except in actions relating to federal civil rights, in which case, the town would be insured up to \$3,000,000.

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 2014. 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 2014, claims related to unemployment compensation were immaterial. The liability for the self-insured unemployment compensation program is not material at June 30, 2014.

The Town is self- insured for workers' compensation for all personnel. During fiscal year 2014, expenditures by the Town for claims related to worker's compensation amounted to \$299,201 that was recorded in the internal service fund.

The Town has a variety of self-insured contributory health care options. There are 794 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, with a unlimited maximum specific benefit. The Town contributes 50% towards medicare eligible retirees, 50% to surviving spouse, 70% towards retirees under the age of 65 and 70% towards the retirees health insurance premiums. The amount of claim settlements has not exceeded insurance coverage in any of the previous five fiscal years.

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

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, 2014 and June 30, 2013, 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 2014 and 2013 were as follows:

	2014	2013
Liability at beginning of fiscal year	\$ 1,174,943	\$ 1,113,325
Claims incurred for current fiscal year and Changes in provisions for prior year	8,827,606	9,029,017
Claims payments for current fiscal year	(8,970,059)	(8,967,399)
Liability at end of fiscal year	\$ 1,032,490	\$ 1,174,943

**NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

*Plan Description.* The 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 through Town ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For Fiscal Year 2014, the total Town's premiums plus implicit costs for the retiree medical program are \$3,215,538.

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

---

*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 GASB Statement 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 costs for the fiscal year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation to the plan:

	Primary Government <u>Total</u>
Annual required contribution	\$ 9,437,024
Interest on net OPEB obligation	1,001,768
Adjustment to annual required contribution (ARC)	(1,392,605)
Amortization of Actuarial <Gain>/Losses	<u>179,557</u>
Annual OPEB cost (expense)	9,225,744
Contributions made	<u>(3,215,538)</u>
Increase in net OPEB obligation	6,010,206
Net OPEB obligation - beginning of year	<u>25,044,209</u>
Net OPEB obligation - end of year	<u>\$ 31,054,415</u>

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

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

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Increase in Net OPEB Obligation</b>	<b>Net OPEB Obligation</b>
6/30/2009	\$ 8,598,672	43.2%	\$ 4,887,024	\$ 4,887,024
6/30/2010	\$ 9,138,293	45.2%	\$ 5,005,985	\$ 9,893,009
6/30/2011	\$ 8,249,218	42.6%	\$ 4,735,518	\$ 14,628,527
6/30/2012	\$ 8,695,467	42.3%	\$ 5,021,392	\$ 19,649,919
6/30/2013	\$ 8,459,710	36.2%	\$ 5,394,290	\$ 25,044,209
6/30/2014	\$ 9,225,744	34.6%	\$ 6,010,206	\$ 31,054,415

*Funded Status and Funding Progress.* As of January 1, 2014, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$108.02 million, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$108.02 million. The covered payroll (annual payroll of active employees covered by the plan) was \$36.693 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 contribution 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.

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

---

---

In the January 1, 2013, actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, the normal cost and actuarial accrued 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 at full eligibility for benefits. The actuarial assumptions included a 4.00% 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 Health Care trend rates that begin at 6% and scale down to 5% over one year. The actuarial value of assets is equal to the market value of the plan's assets. The UAAL is being amortized as a level dollar amount over 30 years at transition. The remaining amortization period at July 1, 2014, was 24 years.

**NOTE 13 – PENSION PLANS**

*A. Plan Descriptions*

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

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

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

*B. Funding Policies*

Norfolk County Contributory Retirement System

Plan members are required to contribute to the "System" at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the "System", its share of the remaining system-wide, actuarially determined, contribution plus administration costs, which are apportioned among the employers, based on active covered payroll. The Commonwealth of Massachusetts reimburses the "system" for a portion of the benefit payments for the cost of living increases. The contributions to the "System" for years ended June 30, 2014, 2013, and 2012 were \$3,389,611, \$3,251,408, and \$3,099,875, respectively, which were equal to its required contributions for each of these years.

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

---

---

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 \$10,280,254 for fiscal year 2014. In accordance with GASB Statement No. 24, these on-behalf" payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2014, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is believed the amount, if any, would not be material.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

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

---

---

**NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

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

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

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

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

*Future GASB Pronouncements:*

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

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

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

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

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

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

Schedules of Funding Progress

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

Schedule of Employer Contributions

Fiscal Year Ended June 30	System Wide			Town of Stoughton	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2014	\$ 42,461,369	\$ 42,461,369	100%	\$ 3,389,611	7.98%
2013	44,800,000	44,800,000	100%	3,251,408	7.26%
2012	42,714,639	42,714,639	100%	3,099,875	7.26%
2011	41,206,587	41,206,587	100%	3,195,871	7.76%
2010	39,749,857	39,749,857	100%	3,080,036	7.75%
2009	38,920,499	38,920,499	100%	2,965,531	7.62%
2008	33,104,903	33,104,903	100%	2,522,708	7.62%
2007	32,877,890	32,877,890	100%	2,417,210	7.35%
2006	31,755,708	31,755,708	100%	2,325,262	7.32%
2005	28,238,996	28,238,996	100%	2,048,716	7.25%

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

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

**Schedules of Funding Progress and Employer Contributions**

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%
1/1/2011	\$ -	\$ 122,683,013	\$ 122,683,013	0.0%	\$ 40,239,359	304.9%
1/1/2013	\$ -	\$ 108,024,876	\$ 108,024,876	0.0%	\$ 36,692,795	294.4%

Schedule of Employer Contributions:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost	Increase in Net OPEB Obligation	Net OPEB Obligation
6/30/2009	\$ 8,598,672	43.2%	\$ 4,887,024	\$ 4,887,024
6/30/2010	\$ 9,138,293	45.2%	\$ 5,005,985	\$ 9,893,009
6/30/2011	\$ 8,249,218	42.6%	\$ 4,735,518	\$ 14,628,527
6/30/2012	\$ 8,695,467	42.3%	\$ 5,021,392	\$ 19,649,919
6/30/2013	\$ 8,459,710	36.2%	\$ 5,394,290	\$ 25,044,209
6/30/2014	\$ 9,225,744	34.6%	\$ 6,010,206	\$ 31,054,415

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, 2013
Discount Rate	4.00%
Medical Trend Rates	6.0% grading down to 5% in Year 2014
Cost Method	Projected Unit Credit Actuarial Cost Method
Amortization Method	Level dollar amount over 30 years at transition
Remaining Amortization Period	24
Mortality	RP-2000 Table for males and females

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

Plan Participants:

Current retirees, beneficiaries, and dependants	448
Current active members/participants	<u>802</u>
Total	<u><u>1250</u></u>