

**TOWN OF NORTON, MASSACHUSETTS**

**REPORT ON THE EXAMINATION  
OF BASIC FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2012**

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## Independent Auditor's Report

To the Honorable Board of Selectmen  
Town of Norton, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Norton, Massachusetts, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Norton, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Norton, Massachusetts, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2013, on our consideration of the Town of Norton, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, appearing on pages 3 through 10, 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 an 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Norton, Massachusetts' financial statements as a whole. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Scanlon Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

January 10, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the Town of Norton, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012.

### Financial Highlights

- The Town's assets exceeded its liabilities by \$51,706,104 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$49,363,995 or an increase of \$2,342,109 (5%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$20,292,755, an increase of \$6,534,240 (47%)
- The General Fund's total fund balance increased \$844,564 (15%) to \$6,551,930. The ending General fund balance is 12% of revenues and transfers in and 12% of expenditures and transfers out.
- The total liabilities of the Town increased by \$8,357,983 (25%) during the fiscal year. This was mainly attributed to an increase in the OPEB liability of \$1,999,954 and a net increase in debt (long and short term) of \$5,706,353.
- The Town had free cash certified by the Department of Revenue in the amount of \$2,357,256. The key factors that attributed to the free cash amount for fiscal year 2012 was as follows:

➤ Unexpended/unencumbered appropriations	\$1,012,367
➤ Amount over/(under) budget – state and local receipts	\$1,022,240

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Norton's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activity includes the water.

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

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows 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 financial 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 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 decision. Both the governmental fund balance sheet and the governmental fund 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 Norton 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 one type of proprietary fund.

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water activities.

**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.

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



**Financial Highlights**  
**Statement of Net Assets Highlights**

	<b>Governmental Activities</b>		
	<b>2012</b>	<b>2011</b>	<b>Change</b>
<b>Assets:</b>			
Current assets	\$ 26,159,333	\$ 19,653,770	\$ 6,505,563
Noncurrent assets (excluding capital assets)	855,287	990,329	(135,042)
Capital assets	43,623,898	39,235,616	4,388,282
<b>Total assets</b>	<b>70,638,518</b>	<b>59,879,715</b>	<b>10,758,803</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt and leases)	3,459,029	2,847,294	611,735
Noncurrent liabilities (excluding debt and leases)	11,281,050	9,287,853	1,993,197
Current debt including leases	1,879,691	2,279,883	(400,192)
Noncurrent debt including leases	13,007,139	6,081,754	6,925,385
<b>Total liabilities</b>	<b>29,626,909</b>	<b>20,496,784</b>	<b>9,130,125</b>
<b>Net Assets:</b>			
Capital assets net of related debt	29,786,735	31,996,766	(2,210,031)
Restricted	13,155,746	8,347,826	4,807,920
Unrestricted	(1,930,872)	(961,661)	(969,211)
<b>Total net assets</b>	<b>\$ 41,011,609</b>	<b>\$ 39,382,931</b>	<b>\$ 1,628,678</b>

	<b>Business-Type Activities</b>		
	<b>2012</b>	<b>2011</b>	<b>Change</b>
<b>Assets:</b>			
Current assets	\$ 6,262,191	\$ 6,416,596	\$ (154,405)
Capital assets	16,575,189	16,479,495	95,694
<b>Total assets</b>	<b>22,837,380</b>	<b>22,896,091</b>	<b>(58,711)</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	283,496	295,839	(12,343)
Noncurrent liabilities (excluding debt)	69,389	69,188	201
Current debt	765,000	760,000	5,000
Noncurrent debt	11,025,000	11,790,000	(765,000)
<b>Total liabilities</b>	<b>12,142,885</b>	<b>12,915,027</b>	<b>(772,142)</b>
<b>Net Assets:</b>			
Capital assets net of related debt	4,785,189	3,929,495	855,694
Restricted	3,024,820	3,654,541	(629,721)
Unrestricted	2,884,486	2,397,028	487,458
<b>Total net assets</b>	<b>\$ 10,694,495</b>	<b>\$ 9,981,064</b>	<b>\$ 713,431</b>

**Financial Highlights**  
**Statement of Activities Highlights**

	<b>Governmental Activities</b>		
	<b>2012</b>	<b>2011</b>	<b>Change</b>
<b>Program Revenues:</b>			
Charges for services	\$ 4,357,302	\$ 4,317,204	\$ 40,098
Operating grants and contributions	21,478,681	21,113,182	365,499
Capital grants and contributions	3,613,873	1,341,523	2,272,350
<b>General Revenues:</b>			
Property taxes	27,032,820	26,414,979	617,841
Motor vehicle excise and other taxes	2,276,564	2,137,297	139,267
Hotel room occupancy and meals taxes	276,558	261,889	14,669
Penalties and interest on taxes	344,463	287,515	56,948
Nonrestricted grants	2,389,157	2,106,824	282,333
Unrestricted investment income	722,919	828,253	(105,334)
Miscellaneous	11,825	9,341	2,484
<b>Total revenues</b>	<b>62,504,162</b>	<b>58,818,007</b>	<b>3,686,155</b>
<b>Expenses:</b>			
General government	1,915,576	1,986,223	(70,647)
Public safety	6,907,308	7,031,366	(124,058)
Public works (Including sewer)	2,236,145	2,309,049	(72,904)
Education	29,805,202	28,405,987	1,399,215
Health and human services	546,581	629,439	(82,858)
Culture and recreation	453,475	427,124	26,351
Employee benefits and insurance	16,461,430	15,401,009	1,060,421
State assessments	2,466,606	2,579,054	(112,448)
Interest	313,861	636,633	(322,772)
<b>Total expenses</b>	<b>61,106,184</b>	<b>59,405,884</b>	<b>1,700,300</b>
<b>Contributions to permanent funds</b>	<b>2,700</b>	<b>2,300</b>	<b>400</b>
<b>Transfers</b>	<b>228,000</b>	<b>218,000</b>	<b>10,000</b>
<b>Change in net assets</b>	<b>1,628,678</b>	<b>(367,577)</b>	<b>1,996,255</b>
<b>Net assets - beginning of year</b>	<b>39,382,931</b>	<b>39,750,508</b>	<b>(367,577)</b>
<b>Net assets - end of year</b>	<b>\$ 41,011,609</b>	<b>\$ 39,382,931</b>	<b>\$ 1,628,678</b>

	<b>Business-Type Activities</b>		
	<b>2012</b>	<b>2011</b>	<b>Change</b>
<b>Program Revenues:</b>			
Charges for services	\$ 3,332,593	\$ 3,188,014	\$ 144,579
<b>Total revenues</b>	<b>3,332,593</b>	<b>3,188,014</b>	<b>144,579</b>
<b>Expenses:</b>			
Water	2,391,162	2,412,991	(21,829)
<b>Total expenses</b>	<b>2,391,162</b>	<b>2,412,991</b>	<b>(21,829)</b>
<b>Transfers</b>	<b>(228,000)</b>	<b>(218,000)</b>	<b>(10,000)</b>
<b>Change in net assets</b>	<b>713,431</b>	<b>557,023</b>	<b>156,408</b>
<b>Net assets - beginning of year</b>	<b>9,981,064</b>	<b>9,424,041</b>	<b>557,023</b>
<b>Net assets - end of year</b>	<b>\$ 10,694,495</b>	<b>\$ 9,981,064</b>	<b>\$ 713,431</b>

## ***Government-wide Financial Analysis***

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$51,706,104 at the close of fiscal year 2012.

Net assets of \$34,571,924 (67%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$16,180,566 (31%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$953,614 (2%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in the categories of net assets, for both the governmental activities as a whole, as well as for its separate governmental and business-type activities. The unrestricted governmental activities resulted in a negative balance of \$1,930,872 as a result of the accrual of the OPEB liability obligation that is required under GASB No. 45 to be accrued. The liability for OPEB as presented on the statement of net assets is \$10,273,519.

The governmental activities net assets increased by \$1,628,678 during the current fiscal year, which reflects the general fund's results of operation. This was mainly attributed to revenues exceeding expenditures \$1,397,978, contributions to permanent funds of \$2,700 and transfers from the water fund of \$228,000.

There was an increase of \$713,431 in net assets reported in connection with the water business-type activity. This was mainly attributed to operating revenues exceeding operating costs by \$1,419,533, interest expense of \$478,102 and indirect costs being transferred to the general fund of \$228,000. Operating revenues increased by \$144,579 (5%) while operating expenses increased by \$21,475 (1%) from the prior year. Non-operating revenues/expenditures decreased by \$43,304 (8%). Net assets increased by \$713,431 (7%).

## ***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, the general fund *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 \$20,292,755 an increase of \$6,534,240 (47%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance - \$243,200 (1%).
- Restricted fund balance - \$13,151,104 (65%).
- Committed fund balance - \$778,435 (4%).
- Assigned fund balance - \$2,484,289 (12%).
- Unassigned fund balance - \$3,635,727 (18%).

At the end of the fiscal year, the General Fund reported a total fund balance of \$6,551,930 increasing \$844,564 (15%) from the prior year. Of the \$6,551,930, the unassigned amount is \$4,067,641 (62%) and the assigned amount is \$2,484,289 (38%). General fund revenues were \$165,318 (.3%) more than the prior fiscal year and expenditures decreased by \$571,413 (1%). Other activity in the General Fund consisted of net transfers from other funds of \$1,133,392 and the proceeds from capital leases of \$151,292.

The main components of the increases in general fund revenues as compared to the prior year related to property taxes in the amount of \$743,056 (3%), licenses, permits and fees of \$213,466 (12%), and on-behalf payments of \$370,256 (8%); and a decrease related to intergovernmental receipts of \$1,348,768 (which was mainly attributed to the last payment from MSBA on the Middle School project)(8%).

The major changes with the general fund expenditures from the prior fiscal year were as follows:

- Increase in Employees benefits and insurance expenditures of \$847,651 (6%).
- Decrease in Principal on debt service expenditures of \$1,064,931 (57%) – Major component was the payoff of the Middle School debt in the prior year.
- Decrease in Interest on debt service expenditures of \$482,722 (63%) - Major component was the payoff of the Middle School debt in the prior year.

The *Cyrus Hicks fund* is the accumulation of resources over many years. The fund has a balance of \$5,990,849 at the end of the fiscal year.

- The fund balance of the fund increased by \$469,562. This amount was attributed to the receipt of interest of \$234,296, unrealized gain of \$391,638, expenditures of \$52,372, and transfers to the general fund of \$104,000.

The *high school construction fund* is used to account for financial resources to construct a new high school. The fund has a balance of \$4,649,836 at the end of the fiscal year.

- This amount was attributed to the receipt of Massachusetts School Building Authority funds of \$2,988,525, the issuance of a bond for \$6,550,000 and expenditures of \$4,888,689.

**Proprietary funds.** The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

### ***Major Proprietary Fund***

The *Water Fund* is the financing and operations of the Town's water system. The water fund shows an increase of \$713,431 in total operations, the result of operating revenues exceeding operating expenditures \$1,419,533, interest expense of \$478,102 and transfers to the general fund of \$228,000.

### ***General Fund Budgetary Highlights***

The final general fund budget for fiscal year 2012 was \$49,469,688. This was a decrease of \$400,727 (1%) over the previous year's budget.

There was an increase of \$851,403 between the original budget and the total final amended budget. The change is attributed to monies voted from available funds at the special town meetings in October 2011 and May 2012 for various budget operating line items.

General fund expenditures were less than budgeted by \$2,364,583. Of the \$2,364,583 in under budget expenditures, \$1,352,216 has been carried over to fiscal year 2013.

There was a negative variance for interest on investments of \$7,670. The negative variance in interest in investments is the result of a drop in interest rates. Overall the revenues had a surplus of \$1,060,904.

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

**Capital Assets.** The Town's investment in capital assets as of June 30, 2012 amounts to \$60,199,087 consisting of governmental activities capital assets of \$43,623,898 and business-type activities capital assets of \$16,575,189.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Communication equipment for \$67,328.
- Norton Reservoir DAM repairs for \$311,083.
- Police vehicles for \$122,465.
- Fire vehicles \$504,396.
- Ambulance for \$218,191.
- Feasibility study for the school for \$57,978.
- High school renovations and bleachers for \$4,698,516.
- Road improvements/infrastructure for \$384,802.
- Public works vehicle for \$151,292.
- Property foreclosures for \$22,864.
- Sewer SCADA upgrades for \$47,280.

Major capital events during the current fiscal year in the water business-type activity fund included the following:

- Easement for \$14,000.
- Water vehicle for \$32,910.
- Water complex improvements for \$14,700.
- Water infrastructure improvements for \$613,450.

**Debt Administration.** The Town's outstanding governmental long-term debt, as of June 30, 2012, totaled \$14,067,734, of which \$8,713,376 is for various school building renovations, \$935,000 is for various land acquisitions, \$1,743,685 is for sewer projects, \$820,000 is for the police station, \$725,000 is for Fire Department vehicles and equipment, \$924,667 is for the Title V septic loan projects, and \$206,006 for the water resource management project.

The business-type funds have outstanding long-term debt as of June 30, 2012 totaling \$11,790,000, all of which relates to water projects.

The Town has bond anticipation notes outstanding in the amount of \$568,055 as of June 30, 2012 of which \$125,000 is for Title V septic loan projects, \$250,000 is for fire breathing apparatus and \$193,055 is for school repairs, feasibility study and fire communications improvements.

The Town has capital leases for financing the acquisition of a highway tractor, a highway loader, a highway dump truck and a sewer department truck. The Town currently owes \$273,715 on the leases including \$251,041 in principal and \$22,674 in interest.

Please refer to notes 3C, 3E, 3F and 3G for further discussion of the capital assets, debt and lease activity.

### ***Next Year's Annual Town Meeting***

The Town of Norton operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2012 do not reflect the fiscal year 2013 Town Meeting action. The Annual Town Meeting on May 14, 2012 authorized a fiscal year 2013 operating and capital budget as follows:

From the tax levy	\$ 43,902,040
From water user fees	3,173,711
From water retained earnings	375,000
From sewer user fees	1,667,097
From undesignated fund balance - free cash	800,000
From overlay surplus	75,000
From Cyrus Hicks fund	100,000
From capital improvement fund	257,073
From ambulance Fund	419,750
From septic repair program	73,120
From dog fund	16,601
	<hr/>
	<u>\$ 50,859,392</u>

### ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Norton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager or Town Accountant, 70 East Main Street, Norton, Massachusetts.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF NORTON, MASSACHUSETTS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and Cash Equivalents	\$ 16,491,693	\$ 5,321,334	\$ 21,813,027
Investments	6,180,006	-	6,180,006
Receivables, net of allowance for uncollectibles:			
Property Taxes	499,282	-	499,282
Deferred Property Taxes	32,543	-	32,543
Tax Liens	823,712	-	823,712
Taxes in Litigation	1,092	-	1,092
Excise Taxes	199,960	-	199,960
User Charges	425,361	940,857	1,366,218
Departmental	146,644	-	146,644
Special Assessments	117,703	-	117,703
Due from Other Governments	1,241,337	-	1,241,337
Total current assets	26,159,333	6,262,191	32,421,524
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Special Assessments	855,287	-	855,287
Capital Assets, net of accumulated Depreciation			
Nondepreciable	12,434,973	522,807	12,957,780
Depreciable	31,188,925	16,052,382	47,241,307
Total noncurrent assets	44,479,185	16,575,189	61,054,374
<b>Total Assets</b>	<b>70,638,518</b>	<b>22,837,380</b>	<b>93,475,898</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants Payable	1,392,014	49,308	1,441,322
Accrued Payroll	186,052	13,100	199,152
Payroll Withholdings	872,736	-	872,736
Tax Refund Payable	102,000	-	102,000
Accrued Interest	129,014	162,851	291,865
Retainage Payable	107,305	-	107,305
Other	131,666	-	131,666
Compensated Absences	538,242	58,237	596,479
Bond Anticipation Notes Payable	568,055	-	568,055
Bonds and Leases Payable	1,311,636	765,000	2,076,636
Total current liabilities	5,338,720	1,048,496	6,387,216
<b>NONCURRENT:</b>			
Compensated Absences	1,007,531	69,389	1,076,920
OPEB Obligation Payable	10,273,519	-	10,273,519
Bonds and Leases Payable	13,007,139	11,025,000	24,032,139
Total noncurrent liabilities	24,288,189	11,094,389	35,382,578
<b>Total Liabilities</b>	<b>29,626,909</b>	<b>12,142,885</b>	<b>41,769,794</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, net of related debt	29,786,735	4,785,189	34,571,924
Restricted for:			
Capital Projects	4,786,029	3,024,820	7,810,849
Federal & State Grants	652,864	-	652,864
Permanent Funds:			
Expendable	91,311	-	91,311
Nonexpendable	243,200	-	243,200
Other Purposes	7,382,342	-	7,382,342
Unrestricted	(1,930,872)	2,884,486	953,614
<b>Total Net Assets</b>	<b>\$ 41,011,609</b>	<b>\$ 10,694,495</b>	<b>\$ 51,706,104</b>

The Notes to the Financial Statements are an integral part of this Statement.



**TOWN OF NORTON, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

Program Revenues					Net (Expenses) Revenues and Changes in Net Assets		
	Charges for		Operating	Capital	Governmental	Business-Type	Total
	Expenses	Services	Contributions	Contributions	Activities	Activities	
Governmental Activities:							
General Government	\$ 1,915,576	\$ 186,878	\$ 34,926	\$ -	\$ (1,693,772)	\$ -	\$ (1,693,772)
Public Safety	6,907,308	1,733,169	176,173	-	(4,997,966)	-	(4,997,966)
Public Works (including sewer)	2,236,145	968,208	510	558,041	(709,386)	-	(709,386)
Education	29,805,202	1,300,714	15,671,036	3,055,832	(9,777,620)	-	(9,777,620)
Health and Human Services	546,581	145,805	167,942	-	(232,834)	-	(232,834)
Culture and Recreation	453,475	22,528	26,218	-	(404,729)	-	(404,729)
Employee Benefits and Insurance	16,461,430	-	5,314,868	-	(11,146,562)	-	(11,146,562)
State Assessments	2,466,606	-	-	-	(2,466,606)	-	(2,466,606)
Interest	313,861	-	87,008	-	(226,853)	-	(226,853)
Total Governmental Activities	61,106,184	4,357,302	21,478,681	3,613,873	(31,656,328)	-	(31,656,328)
Business-Type Activities:							
Water	2,391,162	3,332,593	-	-	-	941,431	941,431
Total Primary Government	\$ 63,497,346	\$ 7,689,895	\$ 21,478,681	\$ 3,613,873	(31,656,328)	941,431	(30,714,897)
General Revenues:							
Property Taxes					27,032,820	-	27,032,820
Motor vehicle and other taxes					2,276,564	-	2,276,564
Hotel room occupancy and Meal taxes					276,558	-	276,558
Penalties & Interest on taxes					344,463	-	344,463
Grants & Contributions not restricted to specific programs					2,389,157	-	2,389,157
Unrestricted Investment Income					722,919	-	722,919
Miscellaneous					11,825	-	11,825
Contributions to Permanent Funds					2,700	-	2,700
Transfers, net					228,000	(228,000)	-
Total General Revenues, Contributions and Transfers					33,285,006	(228,000)	33,057,006
Change in Net Assets							
					1,628,678	713,431	2,342,109
Net Assets:							
					39,382,931	9,981,064	49,363,995
					\$ 41,011,609	\$ 10,694,495	\$ 51,706,104

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTON, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	General Fund	Cyrus Hicks Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 8,073,029	\$ -	\$ 4,761,119	\$ 3,657,545	\$ 16,491,693
Investments	189,157	5,990,849	-	-	6,180,006
Receivables, net of allowance for uncollectibles:					
Property Taxes	499,282	-	-	-	499,282
Deferred Property Taxes	32,543	-	-	-	32,543
Tax Liens	823,712	-	-	-	823,712
Taxes in Litigation	1,092	-	-	-	1,092
Excise Taxes	199,960	-	-	-	199,960
User Charges	425,361	-	-	-	425,361
Departmental	-	-	-	146,644	146,644
Special Assessments	507,641	-	-	465,349	972,990
Due from Other Governments	196,926	-	749,051	295,360	1,241,337
<b>Total Assets</b>	<b>\$ 10,948,703</b>	<b>\$ 5,990,849</b>	<b>\$ 5,510,170</b>	<b>\$ 4,564,898</b>	<b>\$ 27,014,620</b>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>Liabilities:</b>					
Warrants Payable	\$ 542,333	\$ -	\$ 753,029	\$ 96,652	\$ 1,392,014
Accrued Payroll	183,481	-	-	2,571	186,052
Retainage Payable	-	-	107,305	-	107,305
Payroll Withholdings	872,736	-	-	-	872,736
Tax Refund Payable	102,000	-	-	-	102,000
Other	131,666	-	-	-	131,666
Deferred Revenue:					
Property Taxes	417,282	-	-	-	417,282
Other	2,147,275	-	-	797,480	2,944,755
Bond Anticipation Notes Payable	-	-	-	568,055	568,055
<b>Total Liabilities</b>	<b>4,396,773</b>	<b>-</b>	<b>860,334</b>	<b>1,464,758</b>	<b>6,721,865</b>
<b>Fund Balance:</b>					
Non-Spendable	-	-	-	243,200	243,200
Restricted	-	5,990,849	4,649,836	2,510,419	13,151,104
Committed	-	-	-	778,435	778,435
Assigned	2,484,289	-	-	-	2,484,289
Unassigned	4,067,641	-	-	(431,914)	3,635,727
<b>Total Fund Balance</b>	<b>6,551,930</b>	<b>5,990,849</b>	<b>4,649,836</b>	<b>3,100,140</b>	<b>20,292,755</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 10,948,703</b>	<b>\$ 5,990,849</b>	<b>\$ 5,510,170</b>	<b>\$ 4,564,898</b>	<b>\$ 27,014,620</b>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTON, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Cyrus Hicks Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$ 27,098,930	\$ -	\$ -	\$ -	\$ 27,098,930
Intergovernmental	14,687,218	-	2,988,525	3,550,110	21,225,853
Excise and Other Taxes	2,546,664	-	-	-	2,546,664
Charges for Services	-	-	-	2,746,345	2,746,345
Licenses, Permits, Fees	2,042,017	-	-	-	2,042,017
Interest and Penalties on Taxes	344,463	-	-	-	344,463
Investment Income	96,985	625,934	-	1,153	724,072
Gifts and Donations	-	-	-	121,727	121,727
Other	-	-	-	216,886	216,886
Intergovernmental - "On-behalf" Payments	5,305,572	-	-	-	5,305,572
<b>Total Revenues</b>	<b>52,121,849</b>	<b>625,934</b>	<b>2,988,525</b>	<b>6,636,221</b>	<b>62,372,529</b>
<b>Expenditures:</b>					
Current:					
General Government	2,061,275	52,372	-	100,372	2,214,019
Public Safety	6,384,046	-	-	1,246,707	7,630,753
Public Works (including sewer)	1,862,663	-	-	402,313	2,264,976
Education	23,458,543	-	4,888,689	5,165,536	33,512,768
Health and Human Services	431,971	-	-	68,189	500,160
Culture and Recreation	353,890	-	-	42,865	396,755
Employee Benefits and Insurance	14,461,476	-	-	-	14,461,476
State Assessments	2,466,606	-	-	-	2,466,606
Debt Service:					
Principal	802,023	-	-	-	802,023
Interest	279,476	-	-	-	279,476
<b>Total Expenditures</b>	<b>52,561,969</b>	<b>52,372</b>	<b>4,888,689</b>	<b>7,025,982</b>	<b>64,529,012</b>
<b>Excess of Revenues Over</b>					
<b>(Under) Expenditures</b>	<b>(440,120)</b>	<b>573,562</b>	<b>(1,900,164)</b>	<b>(389,761)</b>	<b>(2,156,483)</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In	1,146,085	-	-	16,693	1,162,778
Operating Transfers Out	(12,693)	(104,000)	-	(818,085)	(934,778)
Capital Lease	151,292	-	-	-	151,292
Proceeds from Bonds and Notes	-	-	6,550,000	1,761,431	8,311,431
<b>Total Other Financing Sources (Uses)</b>	<b>1,284,684</b>	<b>(104,000)</b>	<b>6,550,000</b>	<b>960,039</b>	<b>8,690,723</b>
<b>Net Change in Fund Balances</b>	<b>844,564</b>	<b>469,562</b>	<b>4,649,836</b>	<b>570,278</b>	<b>6,534,240</b>
<b>Fund Balances, Beginning of Year</b>	<b>\$ 5,707,366</b>	<b>\$ 5,521,287</b>	<b>\$ -</b>	<b>\$ 2,529,862</b>	<b>\$ 13,758,515</b>
<b>Fund Balances, End of Year</b>	<b>\$ 6,551,930</b>	<b>\$ 5,990,849</b>	<b>\$ 4,649,836</b>	<b>\$ 3,100,140</b>	<b>\$ 20,292,755</b>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTON, MASSACHUSETTS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**Total Fund Balances to the Statement of Net Assets**  
**For the Year Ended June 30, 2012**

<b>Total Governmental Fund Balances</b>		\$ 20,292,755
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		43,623,898
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		3,362,037
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Bonds and Leases Payable	\$ (14,318,775)	
Other Post Employment Benefits Payable	(10,273,519)	
Compensated Absences	<u>(1,545,773)</u>	(26,138,067)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.		<u>(129,014)</u>
<b>Net Assets of Governmental Activities</b>		<u><u>\$ 41,011,609</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTON, MASSACHUSETTS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2012**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>6,534,240</b>
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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 are reported as depreciation expense:

Capital Outlay Purchases	\$ 6,586,195	
Depreciation	<u>(2,197,913)</u>	4,388,282

Revenue 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.

134,333

The issuance of long-term debt (e.g., bonds and leases) 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:

Repayment of Debt Principal and Lease Principal	894,475	
Capital Lease Financing	(151,292)	
Proceeds from Bonds and Notes	<u>(8,311,431)</u>	(7,568,248)

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 governmental funds:

Net Change in Compensated Absences	174,410	
Net Change in Other Post Employment Benefits	(1,999,954)	
Net Change in Accrued Interest on Long-Term Debt	<u>(34,385)</u>	(1,859,929)

<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>1,628,678</u></b>
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The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTON, MASSACHUSETTS  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGETARY BASIS - (NON-GAAP) -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Amounts	Variance with
	Original	Final	Budgetary	Carried	Final Budget
	Budget	Budget	Basis	Forward	Positive
				to Next year	(Negative)
<b>Revenues:</b>					
Property Taxes	\$ 27,109,234	\$ 27,186,466	\$ 27,225,130	\$ -	\$ 38,664
Intergovernmental	14,601,752	14,601,752	14,687,218	-	85,466
Excise and Other Taxes	2,231,200	2,231,200	2,546,664	-	315,464
Licenses, Permits, Fees	1,552,500	1,552,500	2,042,017	-	489,517
Interest and Penalties on Taxes	205,000	205,000	344,463	-	139,463
Interest on Investments	95,000	95,000	87,330	-	(7,670)
<b>Total Revenues</b>	<b>45,794,686</b>	<b>45,871,918</b>	<b>46,932,822</b>	<b>-</b>	<b>1,060,904</b>
<b>Expenditures:</b>					
Current:					
General Government	2,145,450	2,479,348	2,061,275	247,284	170,789
Public Safety	6,240,543	6,537,950	6,384,046	71,688	82,216
Public Works (including sewer)	2,057,920	2,093,191	1,711,371	272,290	109,530
Education	24,148,206	24,246,637	23,458,543	711,838	76,256
Health and Human Services	484,987	494,987	431,971	34,749	28,267
Culture and Recreation	325,713	356,795	353,890	2,504	401
Employee Benefits and Insurance	9,442,736	9,477,147	9,268,339	11,863	196,945
State Assessments	2,814,567	2,814,567	2,466,606	-	347,961
Debt Service:					
Principal	776,596	776,596	776,596	-	-
Interest	181,567	192,470	192,468	-	2
<b>Total Expenditures</b>	<b>48,618,285</b>	<b>49,469,688</b>	<b>47,105,105</b>	<b>1,352,216</b>	<b>1,012,367</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(2,823,599)</b>	<b>(3,597,770)</b>	<b>(172,283)</b>	<b>(1,352,216)</b>	<b>2,073,271</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In (Out)	1,209,599	891,911	896,166	-	4,255
<b>Total Other Financing Sources (Uses)</b>	<b>1,209,599</b>	<b>891,911</b>	<b>896,166</b>	<b>-</b>	<b>4,255</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(1,614,000)</b>	<b>(2,705,859)</b>	<b>723,883</b>	<b>(1,352,216)</b>	<b>2,077,526</b>
<b>Budgetary Fund Balance - Beginning of Year</b>	<b>4,229,118</b>	<b>4,229,118</b>	<b>\$ 4,229,118</b>	<b>-</b>	<b>-</b>
<b>Budgetary Fund Balance - End of Year</b>	<b>\$ 2,615,118</b>	<b>\$ 1,523,259</b>	<b>\$ 4,953,001</b>	<b>\$ (1,352,216)</b>	<b>\$ 2,077,526</b>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTON, MASSACHUSETTS**  
**Reconciliation of Revenues and Expenditures**  
**from Budgetary Basis to GAAP Basis**  
**For the Year Ended June 30, 2012**

	<u>Revenues</u>	<u>Expenditures</u>
<b>Reported on a Budgetary Basis</b>	<b>\$ 46,932,822</b>	<b>\$ 47,105,105</b>
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	9,655	-
Net Decrease in Revenue from recording Refund Taxes Payable	(102,000)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	5,305,572	-
Recognition of Expenditures - "on behalf payments"	-	5,305,572
Net Decrease in Revenue from Recording 60-Day Receipts	(24,200)	-
Capital Leases	-	151,292
<b>Reported on a GAAP Basis</b>	<b>\$ 52,121,849</b>	<b>\$ 52,561,969</b>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTON, MASSACHUSETTS  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
JUNE 30, 2012**

	<b>Business-Type Activities Enterprise Fund</b>
	<b>Water Fund</b>
<b>ASSETS</b>	
CURRENT:	
Cash and Cash Equivalents	\$ 5,321,334
User Charges, net of allowance for uncollectibles	940,857
Total current assets	<u>6,262,191</u>
NONCURRENT:	
Capital Assets, net of accumulated depreciation:	
Nondepreciable	522,807
Depreciable	16,052,382
Total noncurrent assets	<u>16,575,189</u>
<b>Total Assets</b>	<u><u>22,837,380</u></u>
<b>LIABILITIES</b>	
CURRENT:	
Accounts Payable	49,308
Accrued Payroll	13,100
Accrued Interest	162,851
Compensated Absences	58,237
Bonds Payable	765,000
Total current liabilities	<u>1,048,496</u>
NONCURRENT:	
Compensated Absences	69,389
Bonds Payable	11,025,000
Total noncurrent liabilities	<u>11,094,389</u>
<b>Total Liabilities</b>	<u><u>12,142,885</u></u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, net of related debt	4,785,189
Restricted for Capital	3,024,820
Unrestricted	2,884,486
<b>Total Net Assets</b>	<u><u>\$ 10,694,495</u></u>

The Notes to the Financial Statements are an integral part of this Statement.



**TOWN OF NORTON, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Business-Type Activities Enterprise Fund</b>
	<b>Water Fund</b>
<b>Operating Revenues:</b>	
Charges for Services	\$ 2,854,800
Other	477,793
<b>Total Operating Revenues</b>	<b>3,332,593</b>
<b>Operating Expenses:</b>	
Salaries & Wages	578,101
Operating Expenses	755,593
Depreciation	579,366
<b>Total Operating Expenses</b>	<b>1,913,060</b>
<b>Operating Income (Loss)</b>	<b>1,419,533</b>
<b>Non-Operating Revenues (Expenses):</b>	
Interest Expense	(478,102)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(478,102)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>941,431</b>
<b>Operating Transfers:</b>	
Transfers (Out)	(228,000)
<b>Total Operating Transfers</b>	<b>(228,000)</b>
<b>Change in Net Assets</b>	<b>713,431</b>
<b>Net Assets at Beginning of Year</b>	<b>\$ 9,981,064</b>
<b>Net Assets at End of Year</b>	<b>\$ 10,694,495</b>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTON, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Business-Type Activities Enterprise Fund</b>
	<b>Water Fund</b>
<b>Cash Flows From Operating Activities:</b>	
Receipts from Customers and Users	\$ 2,830,129
Receipts from Other Revenues	477,793
Payments to Vendors	(762,763)
Payments to Employees	(572,514)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>1,972,645</b>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Transfers from (to) Other Funds	(228,000)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(228,000)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition and Construction of Capital Assets	(675,060)
Principal Payments on Bonds	(760,000)
Interest Expense	(488,661)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(1,923,721)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(179,076)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>\$ 5,500,410</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 5,321,334</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>	
<b>Operating Income (Loss)</b>	<b>\$ 1,419,533</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>	
Depreciation	579,366
Change in Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	(7,170)
Increase (Decrease) in Accrued Payroll	4,174
Increase (Decrease) in Compensated Absences	1,413
Decrease (Increase) in User Charges Receivable	(24,671)
<b>Total Adjustments</b>	<b>553,112</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 1,972,645</b>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTON, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2012**

	<div> <div>Other</div> <div>Postemployment</div> <div>Benefits</div> <div>Trust Fund</div> </div> <div> <div>Private</div> <div>Purpose</div> <div>Trust Funds</div> </div> <div> <div>Agency</div> <div>Funds</div> </div>		
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,000	\$ 96,087	\$ 402,287
<b>Total Assets</b>	<b>1,000</b>	<b>96,087</b>	<b>402,287</b>
<b>LIABILITIES</b>			
Warrants Payable	-	-	5,187
Due to Others	-	-	2,887
Due to Student Groups	-	-	132,310
Deposits and Escrows	-	-	261,903
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>402,287</b>
<b>NET ASSETS:</b>			
Held in Trust for Other Purposes	\$ 1,000	\$ 96,087	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF NORTON, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Other Postemployment Benefits Trust Fund</b>	<b>Private Purpose Trust Funds</b>
<b>Additions</b>		
Contributions:		
Employer	\$ 1,000	\$ -
Private Donations	-	33,429
<b>Total Contributions</b>	<b>1,000</b>	<b>33,429</b>
Investment Income:		
Interest & Dividends	-	1,196
<b>Total Investment Earnings</b>	<b>-</b>	<b>1,196</b>
<b>Total Additions</b>	<b>1,000</b>	<b>34,625</b>
<b>Deductions:</b>		
Educational Scholarships	-	34,650
<b>Total Deductions</b>	<b>-</b>	<b>34,650</b>
<b>Change in Net Assets</b>	<b>1,000</b>	<b>(25)</b>
<b>Net Assets at Beginning of Year</b>	<b>\$ -</b>	<b>\$ 96,112</b>
<b>Net Assets at End of Year</b>	<b>\$ 1,000</b>	<b>\$ 96,087</b>

The Notes to the Financial Statements are an integral part of this Statement

**TOWN OF NORTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Town of Norton, 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 significant Town accounting policies are described herein.

**A. Reporting Entity**

The Town of Norton, Massachusetts (the Town) was incorporated in 1711 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected five member Board of Selectmen.

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 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. In fiscal year 2012, it was determined that no entities met the required GASB-14 and GASB-39 criteria for component units.

The Town is responsible for electing the governing board of the Norton Housing Authority. This related organization is excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board members. Audited financial statements are available from the respective organization.

A description of the related organization is as follows:

**Norton Housing Authority** - A public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

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

**Government-wide financial statements**

The government-wide financial statements (e.g., statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given 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 (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**Fund financial statements**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual

**TOWN OF NORTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net assets and change in net assets.

**Major Fund Criteria**

Major funds must be reported if the following criteria are met:

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

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

Fiduciary funds are reported by fund type.

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

**Government-wide financial statements**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the 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.

**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 concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**TOWN OF NORTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Cyrus Hicks Fund* is a special revenue fund (trust fund) that was given to the Town from a citizen in the 1800's. The income that is generated from the trust is to be used for the benefit of Town, in accordance with the wishes of the trustees.

The *high school construction fund* is used to account for financial resources to improve the high school.

The Town reports the following major proprietary fund:

The *water fund* is used to account for the water activities.

The non-major governmental fund consists of other special revenue and permanent funds that are aggregated and presented in the *non-major 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.

Additionally, the Town reports the following fund types:

*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 in a trustee capacity for others that cannot be used to support the government programs. The Town reports the following fiduciary funds:

The *Other Post Employment Benefit (OPEB) Trust Fund* is used to account for the assets held by Town in trust for the payment of future retiree health insurance benefits. The assets of the OPEB Trust Fund cannot be used to support the Town's operations.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, 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.

**TOWN OF NORTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund 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 government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments, internally dedicated resources are reported.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Cash and Cash Equivalents**

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

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

Investment income from proprietary funds is maintained in those funds.

**E. Investments**

State and local statutes place certain limitations on the nature of deposits and investments to the Town. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can 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 and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

All investments are carried at fair value.

**F. Receivables**

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.



**TOWN OF NORTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

***Property Taxes, Deferred Property Taxes, Tax Liens, and Taxes in Litigation***

Property taxes are based on assessments as of January 1, 2011 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2012 on June 29, 2011, that were due on August 1, 2011 and November 1, 2011 and actual bills on December 28, 2011 that were due on February 1, 2012 and May 1, 2012.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2012 is \$27,462,564. The total amount raised by taxation was \$27,451,535.

The allowance for uncollectible accounts is based on historical trends and specific account analysis.

***Excise Taxes***

Excise taxes consist of motor vehicle excise. Excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles.

The tax calculation is the fair value of the vehicle multiplied by the \$25 per \$1,000 of value.

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

***User Charges***

User charges in the governmental activities funds consist of sewer that is based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Sewer charges are recorded as receivables in the fiscal year of the levy.

User charges in the business-type funds consist of water that is based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water charges are recorded as receivables in the fiscal year of the levy.

**TOWN OF NORTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

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

***Departmental***

Departmental receivables consist of police off-duty details and ambulance fees.

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

***Special Assessments***

Special assessments consist of the sewer betterments, septic Title V betterments and water betterments.

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

***Due from Other Governments***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is 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.

**G. Capital Assets**

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government wide 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 estimated fair market value.

All purchase and construction costs in excess of \$15,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<b>Capital Asset Type</b>	<b>Years</b>
Buildings and renovations	20-40
Machinery, equipment and other	3-10
Infrastructure	20-50

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.

**TOWN OF NORTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**H. 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.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net".

In the 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.

**I. Deferred Revenue**

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

**J. Net Assets and Fund Balances**

In the Government-Wide financial statements, the difference between the Town's total assets and total liabilities represents net assets. Net assets displays three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net assets represent the net assets available for future operations.

Net assets have been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Federal and state grants" represents amounts restricted by the federal and state government for various programs.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Other purposes" represents restrictions placed on assets from outside parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

**TOWN OF NORTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

*Assigned fund balance.* This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance.* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

**K. Long-term Debt**

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets.

The face amount of governmental funds long-term debt is reported as other financing sources.

**L. Compensated Absences**

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay.

**M. Post Retirement Benefits**

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 75% share of insurance premiums in the general fund in the fiscal year paid.

**N. Use of Estimates**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**TOWN OF NORTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

The budgets for all departments are prepared by the department heads and submitted to the Town Manager who presents the budget to the Town's finance committee for review.

The finance committee, in turn, presents the omnibus budget for voter approval at the Annual Town Meeting of each fiscal year.

The Town Manager can also present an alternative budget at the Town Meeting if there is not a finance committee consensus.

The budget is legally enacted by vote of Town meeting members at the annual Town meeting.

Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.

Throughout the year appropriations may be transferred between departments with Town meeting approval.

Massachusetts law requires cities and towns to provide a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . ."

For fiscal year 2012, the Town incurred a final budget deficit of \$2,705,859 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

Unreserved fund balance:	
Overlay surplus	\$ 75,000
Free cash	1,483,297
Prior years reserved for encumbrance	1,147,562
	<u>\$ 2,705,859</u>

**TOWN OF NORTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**B. Deficit Fund Balances**

The following funds had deficits at June 30, 2012 as measured by the balances of unreserved fund balance.

- The Henri Yelle school repairs fund has a deficit of \$37,500. The deficit will be eliminated upon the issuance of debt.
- The middle school repairs fund has a deficit of \$155,555. The deficit will be eliminated upon the issuance of debt.
- Public safety project fund has a deficit of \$238,859. The deficit will be eliminated upon the receipt of additional funds and upon issuance of debt.

**3. DETAILED NOTES**

**A. Deposits and Investments**

**Custodial Credit Risks – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2012 were \$23,320,472. Of these, none were exposed to custodial credit risk as uninsured and uncollateralized.

**Investment Policies**

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2012, the Town had the following investments and maturities:

**TOWN OF NORTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities:					
U. S. treasury obligations	\$ 605,705	\$ -	\$ 302,135	\$ 303,570	\$ -
U. S. government agencies	500,681	154,937	223,986	121,758	-
Corporate bond	739,624	105,528	269,557	-	364,539
Money market mutual fund	528,324	528,324	-	-	-
	2,374,334	\$ 788,789	\$ 795,678	\$ 425,328	\$ 364,539
Other Investments:					
Equity securities - domestic	3,616,515				
MMDT	189,157				
	\$ 6,180,006				

**Custodial Credit Risks**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$6,180,006 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

**Interest Rate Risk**

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.

**Credit Risk**

The Town's exposure to credit risk as of June 30, 2012 is as follows:

Related Debt Instruments	Moody's Quality Ratings				
	Fair Value	Aaa	A1	A2	Not Rated
<b>Debt Securities:</b>					
U. S. treasury obligations	\$ 605,705	\$ 605,705	\$ -	\$ -	\$ -
U. S. government agencies	500,680	500,680	-	-	-
Corporate bonds	739,625	188,770	186,316	364,539	-
Money market mutual fund	528,324	-	-	-	528,324
	<u>\$ 2,374,334</u>	<u>\$ 1,295,155</u>	<u>\$ 186,316</u>	<u>\$ 364,539</u>	<u>\$ 528,324</u>

**Concentration of Credit Risk**

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are in Corporate bonds amounting to 5.90%.

**B. Receivables**

At June 30, 2012, receivables for the individual major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

**TOWN OF NORTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Major and nonmajor governmental funds:</b>			
Property taxes	\$ 550,282	\$ (51,000)	\$ 499,282
Deferred property taxes	32,543	-	32,543
Tax liens	836,828	(13,116)	823,712
Taxes in litigation	1,092	-	1,092
Excise taxes	272,960	(73,000)	199,960
User charges	425,361	-	425,361
Departmental	221,155	(74,511)	146,644
Special assessments	972,990	-	972,990
Due from other governments	1,241,337	-	1,241,337
	<u>\$ 4,554,548</u>	<u>\$ (211,627)</u>	<u>\$ 4,342,921</u>

At June 30, 2012, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water	\$ 940,857	\$ -	\$ 940,857

The composition of amounts due from other governments as of June 30, 2012 for governmental funds is as follows:

**General Fund:**

***Commonwealth of Massachusetts:***

Department of Veterans Services:

Veterans benefits \$ 196,926

**Nonmajor Governmental Funds:**

***U. S. Department of Agriculture:***

School lunch \$ 15,634

***Commonwealth of Massachusetts:***

Massachusetts School Building Assistance:

Norton high school project 749,051

Massachusetts Department of Elementary and  
and Secondary Education:

School Lunch 520

Executive Office of Public Safety & Homeland Security:

911 support & incentive grant 43,878

Traffic enforcement 4,323

Massachusetts Highway Department:

Chapter 90 funded projects 231,005 1,044,411

\$ 1,241,337

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.



**TOWN OF NORTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The balance of the general fund deferred revenues account is equal to all of June 30, 2012 receivable balances, except real estate and personal property taxes that are accrued for subsequent 60 day collections.

At the end of the current fiscal year, the deferred revenue for property taxes is \$417,282.

The various components of the other deferred revenue reported in the governmental funds are as follows:

**General Fund:**

Deferred property taxes	\$	32,543	
Tax liens		823,712	
Taxes in litigation		1,092	
Excise taxes		199,960	
User charges		425,361	
Special assessments		507,641	
Due from other governments		156,966	\$ 2,147,275

**Nonmajor Governmental Funds:**

Departmental		122,512	
Special assessments		465,349	
Due from other governments		209,619	797,480
			<u>\$ 2,944,755</u>

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2012, are as follows

**Governmental Activities**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 7,206,791	\$ 22,864	\$ -	\$ 7,229,655
Construction in Progress	448,824	4,756,494	-	5,205,318
Total capital assets not being depreciated	7,655,615	4,779,358	-	12,434,973
Capital assets being depreciated:				
Buildings and Renovations	41,585,417	-	-	41,585,417
Machinery, equipment and other	5,744,913	1,063,672	(218,663)	6,589,922
Infrastructure	16,350,446	743,165	-	17,093,611
Total capital assets being depreciated	63,680,776	1,806,837	(218,663)	65,268,950
Less accumulated depreciation for:				
Buildings and Renovations	22,534,150	1,198,693	-	23,732,843
Machinery, equipment and other	4,427,849	424,234	(218,663)	4,633,420
Infrastructure	5,138,776	574,986	-	5,713,762
Total accumulated depreciation	32,100,775	2,197,913	(218,663)	34,080,025
Total capital assets being depreciated, net	31,580,001	(391,076)	-	31,188,925
Total governmental activities capital assets, net	\$ 39,235,616	\$ 4,388,282	\$ -	\$ 43,623,898

**TOWN OF NORTON, MASSACHUSETTS**  
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**Business-Type Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 334,926	\$ 14,000	\$ -	\$ 348,926
Construction in progress	350,255	188,581	(364,955)	173,881
Total capital assets not being depreciated	685,181	202,581	(364,955)	522,807
Capital assets being depreciated:				
Buildings and improvements	64,864	364,955	-	429,819
Machinery, equipment and other	1,017,215	32,910	-	1,050,125
Infrastructure	19,380,718	439,569	-	19,820,287
Total capital assets being depreciated	20,462,797	837,434	-	21,300,231
Less accumulated depreciation for:				
Buildings and improvements	17,182	11,625	-	28,807
Machinery, equipment and other	749,885	89,438	-	839,323
Infrastructure	3,901,416	478,303	-	4,379,719
Total accumulated depreciation	4,668,483	579,366	-	5,247,849
Total capital assets being depreciated, net	15,794,314	258,068	-	16,052,382
Total business-type activities capital assets, net	\$ 16,479,495	\$ 460,649	\$ (364,955)	\$ 16,575,189

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

**Governmental Activities:**

General government	\$ 35,239
Public safety	348,481
Public works	644,942
Education	1,066,471
Health and human services	46,060
Culture and recreation	56,720
Total depreciation expense - governmental activities	<u>\$ 2,197,913</u>

**Business-Type Activities:**

Water fund	\$ 579,366
Total depreciation expense - business-type activities	<u>\$ 579,366</u>

**D. Interfund Receivables, Payables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

**TOWN OF NORTON, MASSACHUSETTS**  
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Transfers Out:	Transfers In:		
	General fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 12,693	\$ 12,693
Cyrus Hicks fund	100,000	4,000	104,000
Nonmajor governmental funds	818,085	-	818,085
Water business type fund	228,000	-	228,000
Total transfers out	<u>\$ 1,146,085</u>	<u>\$ 16,693</u>	<u>\$ 1,162,778</u>

**E. Leases**

The Town has entered into lease agreements as lessee for financing a highway tractor, a highway loader and a sewer department truck. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets, including any expiring in 2012, acquired through the capital leases are as follows:

Machinery, equipment and other	\$ 465,302
Less: Accumulated Depreciation	(162,105)
Total	<u>\$ 303,197</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, are as follows:

Year Ending June 30,	Governmental Activities
2013	\$ 101,099
2014	69,985
2015	69,984
2016	32,647
Total minimum lease payments	<u>\$ 273,715</u>
Less: amount representing interest	(22,674)
Present value of minimum lease payments	<u>\$ 251,041</u>

**F. Short-Term Financing**

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental type activities are as follows:

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Purpose	Rate	Date	June 30, 2011	Issued	Redeemed	June 30, 2012
<b>Governmental Activities:</b>						
School repairs/feasibility study and fire communication improvements	1.15%	7/29/2011	\$ 1,236,110	\$ -	\$ 1,236,110	\$ -
Fire equipment - breathing apparatus	0.90%	11/22/2011	250,000	-	250,000	-
School repairs/feasibility study/fire communication improvements/truck	0.90%	11/22/2011	-	2,050,791	2,050,791	-
School repairs/feasibility study and fire communication improvements	1.00%	7/25/2012	-	443,055	-	443,055
<b>Massachusetts Water Pollution Abatement Trust:</b>						
Community Septic Program	N/A	8/15/2013	125,000	-	-	125,000
			<u>\$ 1,611,110</u>	<u>\$ 2,493,846</u>	<u>\$ 3,536,901</u>	<u>\$ 568,055</u>

**G. Long Term Debt**

**General Obligation Bonds**

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds currently outstanding of the governmental type fund are as follows:

**TOWN OF NORTON, MASSACHUSETTS**  
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	<b>Interest Rate</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Original Amount Issued</b>	<b>Outstanding June 30, 2012</b>
<b>Inside Debt:</b>					
Land acquisition-Slattery property	3.66%	11/1/2004	11/1/2022	\$ 400,000	\$ 225,000
School building renovations	3.75%	11/1/2004	11/1/2023	\$ 2,100,000	1,320,000
Land acquisition	3.96%	10/1/2007	10/1/2022	\$ 500,000	360,000
Sewer project	4.04%	10/1/2007	10/1/2017	\$ 350,000	210,000
Police station	2.38%	2/15/2011	10/1/2018	\$ 945,000	820,000
Land acquisition - school	2.38%	2/15/2011	10/1/2016	\$ 420,000	350,000
Sewer bond	2.38%	2/15/2011	10/1/2020	\$ 80,000	70,000
School feasibility study	1.96%	11/15/2011	11/15/2014	\$ 193,376	193,376
Fire equipment	1.88%	11/15/2011	11/15/2015	\$ 250,000	250,000
Fire truck	1.86%	11/15/2011	11/15/2016	\$ 475,000	475,000
<b>Massachusetts Water Pollution Abatement Trust:</b>					
Lake Winnecunnet sewer	N/A	11/26/2002	8/1/2022	\$ 2,375,687	1,463,685
Water resource management	N/A	11/26/2002	8/1/2022	\$ 334,237	206,006
<b>Total Inside Debt</b>					<u>5,943,067</u>
<b>Outside Debt:</b>					
High school track/bleachers	2.38%	11/15/2011	2/15/2025	\$ 650,000	650,000
High school renovation	2.82%	11/15/2011	2/15/2031	\$ 6,550,000	6,550,000
<b>Massachusetts Water Pollution Abatement Trust:</b>					
Title V Septic Loans - Round 1	N/A	4/29/1999	2/1/2017	\$ 199,807	55,502
Title V Septic Loans - Round 2	N/A	7/24/2003	2/1/2021	\$ 195,089	97,680
Title V Septic Loans - Round 3	N/A	8/1/2004	8/1/2023	\$ 236,799	148,517
Title V Septic Loans - Round 4	N/A	12/14/2006	7/15/2026	\$ 146,244	109,684
Title V Septic Loans - Round 5	N/A	11/15/2006	8/1/2024	\$ 184,207	132,913
Title V Septic Loans - Round 6	N/A	11/22/2010	7/15/2029	\$ 200,000	189,474
Title V Septic Loans - Round 7	N/A	11/22/2010	7/15/2029	\$ 201,502	190,897
<b>Total Outside Debt</b>					<u>8,124,667</u>
<b>Total Governmental Type Debt</b>					<u>\$ 14,067,734</u>

General obligation bonds currently outstanding of the business-type fund are as follows:

	<b>Interest Rate</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Original Amount Issued</b>	<b>Outstanding June 30, 2012</b>
<b>Outside Debt:</b>					
<b>Water fund:</b>					
Water mains	3.99%	10/1/2007	10/1/2027	\$ 3,300,000	\$ 2,640,000
New water tank	3.99%	10/1/2007	10/1/2027	\$ 1,700,000	1,360,000
Water mains	4.02%	8/1/2008	8/1/2028	\$ 3,000,000	2,550,000
Water mains	4.02%	8/1/2008	8/1/2028	\$ 5,000,000	4,250,000
Water storage facility	2.38%	2/15/2011	10/1/2020	\$ 1,100,000	990,000
<b>Total Business-type Debt</b>					<u>\$ 11,790,000</u>

**TOWN OF NORTON, MASSACHUSETTS**  
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**Future Debt Service**

The annual principal and interest payments to retire all governmental type fund general obligation long-term debt outstanding as of June 30, 2012, are as follows:

**Governmental Type Activities**

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 1,221,187	\$ 541,064	\$ 1,762,251
2014	1,218,194	390,691	1,608,885
2015	1,203,376	351,162	1,554,538
2016	1,153,413	310,752	1,464,165
2017	1,093,413	274,287	1,367,700
2018-2022	4,063,565	954,466	5,018,031
2023-2027	2,426,187	422,884	2,849,071
2028-2032	1,688,399	141,375	1,829,774
	<u>\$ 14,067,734</u>	<u>\$ 3,386,681</u>	<u>\$ 17,454,415</u>

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2012, are as follows:

**Business-Type Activities**

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 765,000	\$ 457,725	\$ 1,222,725
2014	760,000	431,526	1,191,526
2015	760,000	403,098	1,163,098
2016	760,000	371,590	1,131,590
2017	760,000	341,208	1,101,208
2018-2022	3,685,000	1,251,022	4,936,022
2023-2027	3,250,000	560,513	3,810,513
2028-2032	1,050,000	39,187	1,089,187
	<u>\$ 11,790,000</u>	<u>\$ 3,855,869</u>	<u>\$ 15,645,869</u>

A summary of the changes in governmental activities and business-type long term debt during the year is as follows:

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	Balance			Balance	Amounts Due
	June 30, 2011	Additions	Reductions	June 30, 2012	within One Year
<b>Governmental activities:</b>					
<b><i>Bond Payable:</i></b>					
General obligation bonds	\$ 3,642,876	\$ 8,118,376	\$ 535,848	\$ 11,225,404	\$ 1,148,067
Massachusetts Water Pollution Abatement Trust	2,915,450	-	73,120	2,842,330	73,120
<b><i>Leases Payable</i></b>	192,201	151,292	92,452	251,041	90,449
<b><i>Compensated Absences</i></b>	1,720,183	-	174,410	1,545,773	538,242
<b><i>OPEB Obligation Payable</i></b>	8,273,565	1,999,954	-	10,273,519	-
Governmental activity					
Long-term liabilities	<u>\$ 16,744,275</u>	<u>\$ 10,269,622</u>	<u>\$ 875,830</u>	<u>\$ 26,138,067</u>	<u>\$ 1,849,878</u>
<b>Business type activities:</b>					
<b><i>Bond Payable:</i></b>					
General obligation bonds	\$ 12,550,000	\$ -	\$ 760,000	11,790,000	\$ 765,000
<b><i>Compensated absences</i></b>	126,213	1,413	-	127,626	58,237
Business-type activity long term					
Long-term liabilities	<u>\$ 12,676,213</u>	<u>\$ 1,413</u>	<u>\$ 760,000</u>	<u>\$ 11,917,626</u>	<u>\$ 823,237</u>

**Advance Refunding – February 15, 2011**

On February 15, 2011, the Town issued \$2,545,000 of general obligation refunding bonds with an average interest rate of 2.38 percent to advance refund \$2,610,000 of outstanding bonds with an average interest rate of 4.67 percent to 5.11 percent. As a result, the funded bonds, including the business-type bonds, are considered to be defeased and the liability has been removed from the general obligation long-term debt account group and the enterprise fund debt. This advance refunding was undertaken to advance refund \$960,000 of the new police station, \$450,000 of the school land and \$100,000 of the sewer bond governmental activity debt and \$1,100,000 of the water storage facility business-type debt. The advance refunding resulted in an economic gain of \$211,702

**Massachusetts Water Pollution Abatement Trust (MWPAT)**

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$2,793,326 and interest costs of \$660,400 for nine loans which the Town has borrowed from MWPAT. The gross amount outstanding at June 30, 2012 for principal and interest combined for the loans is \$3,144,617. The net repayments, including interest, are scheduled to be \$2,276,258. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2012 principal and interest subsidies totaled \$112,435.

**Legal Debt Limit**

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2012 totaled \$5,943,067.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

**TOWN OF NORTON, MASSACHUSETTS**  
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The following is a computation of the legal debt limit as of June 30, 2012:

Equalized Valuation-Real Estate and Personal Property (2010)		\$ 2,368,149,600
Debt Limit: 5 % of Equalized value		<u>\$ 118,407,480</u>
Total Debt Outstanding	\$ 25,857,734	
Less: Debt Outside Debt Limit	<u>(19,914,667)</u>	<u>5,943,067</u>
Inside Debt Excess Borrowing Capacity at June 30, 2012		<u><u>\$ 112,464,413</u></u>

**Loans Authorized and Unissued - Memorandum Only**

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as of June 30, 2012 and are not reflected in the Town's financial statements are as follows:

Date of Town Meeting Authorized	Purpose	Amount
10/2003	Repair, Replacement and Upgrading of Septic Systems or Household Connections to Sanitary Sewer System pursuant to Agreements between Board of Health and Property Owners	\$ 473,498
6/6/2011	Renovating, Constructing, and Improvements and Expansion of Norton High School	27,440,231
5/14/2012	Elementary School repairs and roof replacement	<u>925,000</u>
		<u><u>\$ 28,838,729</u></u>

**Overlapping Debt**

The Town pays assessments which includes debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The following summary sets forth the long term debt of the governmental unit, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

	Current Year's Long Term Debt	Town's Estimated Share	Town's Estimated Indirect Debt
Southeastern Regional School District:	<u>\$ 9,415,633</u>	8.60%	<u>\$ 809,744</u>

**H. Fund Balances**

The following is a summary of the Governmental Fund fund balances at the year ended June 30, 2012:



**TOWN OF NORTON, MASSACHUSETTS**  
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	General Fund	Cyrus Hicks Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent funds	\$ -	\$ -	\$ -	\$ 243,200	\$ 243,200
Restricted:					
Federal, state and local grants	-	-	-	443,246	443,246
School revolving funds	-	-	-	629,425	629,425
Revolving funds	-	-	-	187,727	187,727
Septic loans	-	-	-	673,165	673,165
Donations and gifts	-	-	-	337,903	337,903
Cyrus Hicks fund	-	5,990,849	-	-	5,990,849
High school fund	-	-	4,649,836	-	4,649,836
Permanent funds	-	-	-	91,310	91,310
Capital project funds	-	-	-	125,051	125,051
Other	-	-	-	22,592	22,592
	-	5,990,849	4,649,836	2,510,419	13,151,104
Committed:					
Ambulance	-	-	-	697,846	697,846
Dog fund	-	-	-	80,589	80,589
	-	-	-	778,435	778,435
Assigned:					
General government	247,284	-	-	-	247,284
Public safety	71,688	-	-	-	71,688
Public works	272,290	-	-	-	272,290
Education	711,838	-	-	-	711,838
Health and human services	34,749	-	-	-	34,749
Culture and recreation	2,504	-	-	-	2,504
Insurance and employee benefits	11,863	-	-	-	11,863
Subsequent year's budget	1,132,073	-	-	-	1,132,073
	2,484,289	-	-	-	2,484,289
Unassigned:					
General fund	4,067,641	-	-	-	4,067,641
Capital projects:					
Henri Yelle school repairs	-	-	-	(37,500)	(37,500)
Middle school repairs	-	-	-	(155,555)	(155,555)
Public safety projects	-	-	-	(238,859)	(238,859)
	4,067,641	-	-	(431,914)	3,635,727
Total Governmental fund balances	\$ 6,551,930	\$ 5,990,849	\$ 4,649,836	\$ 3,100,140	\$ 20,292,755

**I. Special Trust Funds**

**Stabilization Fund**

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount

**TOWN OF NORTON, MASSACHUSETTS**  
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raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose.

At June 30, 2012 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 927,030
Sewer stabilization fund	56,793
Capital improvement stabilization fund	635,106
	<u>\$ 1,618,929</u>

#### **4. OTHER INFORMATION**

##### **A. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

##### **B. Contingent Liabilities**

###### **Litigation**

Various cases are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2012.

###### **Federal Financial Assistance**

The Town receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit procedures prescribed under the Single Audit Act Amendments of 1996. Any disallowed expenditures resulting from such audits become a liability of the Town.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the Town.

##### **C. Other Post Employment Benefits Payable**

###### **GASB Statement No. 45**

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009, and thus recognizes the cost of post employment benefits in

**TOWN OF NORTON, MASSACHUSETTS**  
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the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

**Plan Description**

-The Town provides the following plan types, Blue Cross HMO Blue New England, Blue Care Elect Preferred (PPO), Managed Blue for Seniors and Medex.

-An employee shall become eligible to retire under this plan upon attainment of age 55 as an active member and completion of 10 years of service.

-Employees will pay 25% of premiums in retirement.

The number of participants as of July 1, 2011 follows:

Active members	433
Retirees	326
Total	<u>759</u>

**Funding Policy**

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2012 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$1,851,008.

**Annual OPEB Cost and Net OPEB Obligation**

The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of 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 (30) 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:

Annual required contribution	\$ 3,781,144
Interest on net OPEB obligation	330,942
Amortization of Actuarial gains/(losses)	454,389
Adjustment to annual required contribution	<u>(715,513)</u>
Annual OPEB cost (expense)	3,850,962
Contributions made during the fiscal year	<u>(1,851,008)</u>
Increase in net OPEB obligation	1,999,954
Net OPEB Obligation - beginning of year	8,273,565
Net OPEB Obligation - end of year	<u>\$ 10,273,519</u>

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2012 fiscal year and the two preceding years were as follows:

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<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2010	\$ 3,579,359	46.9%	\$ 6,493,437
6/30/2011	\$ 3,540,312	49.7%	\$ 8,273,565
6/30/2012	\$ 3,850,962	48.1%	\$ 10,273,519

**Funded Status and Funding Process**

As of July 1, 2011, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$51,354,647 and the actuarial value of assets was \$1,000, resulting in a total unfunded actuarial accrued liability (UAAL) of \$51,353,647. The covered payroll (annual payroll of active employees covered by the plan) was \$22,909,558 and the ratio of the UAAL to the covered payroll was 224.2%.

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 is as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (A)</b>	<b>Actuarial Accrued Liability (AAL) Entry Aid (B)</b>	<b>Unfunded AAL (UAAL) (B-A)</b>	<b>Funded Ratio (A/B)</b>	<b>Covered Payroll (C)</b>	<b>UAAL as a Percentage of Covered Payroll ((B-A)/C)</b>
12/31/2007	\$ -	\$ 36,364,614	\$ 36,364,614	0%	N/A	N/A
12/31/2008	\$ -	\$ 50,629,934	\$ 50,629,934	0%	N/A	N/A
12/31/2009	\$ -	\$ 52,437,664	\$ 52,437,664	0%	N/A	N/A
12/31/2010	\$ 1,000	\$ 51,354,647	\$ 51,353,647	0%	\$ 22,909,558	224.2%

**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 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 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.

The Town OPEB actuarial valuation used the projected unit credit actuarial cost method. The OPEB liability is currently unfunded and the actuarial assumptions include a 4.00% rate of return on invested assets. The actuarial assumptions also include an expected payroll growth of 3.00% per annum, a general inflation of 2.50% per annum and healthcare trend rates as follows:

**TOWN OF NORTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

<b>Year</b>	<b>Medical</b>	<b>Dental</b>
FY 2008	11.0%	8.5%
FY 2009	10.0%	8.0%
FY 2010	9.0%	7.5%
FY 2011	8.0%	7.0%
FY 2012	7.0%	6.5%
FY 2013	6.0%	6.0%
FY 2014	5.0%	5.5%
FY 2015	5.0%	5.0%

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at July 1, 2012 is 25 years.

**D. Pension Plan**

**Plan Description**

The Town, as a member of the Bristol County Retirement System (the System), participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Bristol County Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers' Retirement Board and are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$5,305,572 for the fiscal year ending June 30, 2012, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

The Town has approximately 223 employees in the retirement system.

The System provides 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. Cost of living adjustments granted between 1981 and 1987 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Bristol County Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 645 County Street, Taunton, Massachusetts.

**Funding Policy**

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 system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32B of the Massachusetts general laws governs the contributions of plan members and the Town.

The Town's contribution to the System for the fiscal years ended June 30, 2012, 2011, and 2010 is shown below, which equaled its required contribution for each fiscal year.

**TOWN OF NORTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

<b>Fiscal Year Ended June 30</b>	<b>Town's Contribution</b>
2012	\$ 2,051,982
2011	\$ 1,950,377
2010	\$ 1,905,860

The last actuarial valuation was prepared by Buck Consultants, LLC as of January 1, 2010. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.25% compounded annually, (b) projected salary, including longevity, increases of 4.5% per year per member.

The unfunded actuarial liability for the entire system is \$243,177,790. The Town's portion of such liability is approximately 7.74% or \$18,821,961.

Chapter 697 of the Acts of 1987, which was enacted on January 12, 1988, provides for the funding of the Commonwealth's current unfunded pension liability over a period not greater than forty years. In addition, Chapter 697 contained significant financial incentives for local governmental units to establish its own state-approved funding schedule to eliminate its unfunded actuarial liability by June 30, 2028. The Town has accepted the provisions of Chapter 32, Section 22 (6A) (b) to become a funding unit. In addition, the Town can provide supplemental funding under Section 5D of Chapter 40 of the Massachusetts General Laws. Currently the Town of Norton has not provided for any supplemental funding.

#### **Reporting Policies**

The funds of the Bristol County Retirement System are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued and investments are amortized to value. The books are maintained on a calendar year basis from January 1st to December 31st in accordance with the standards and procedures outlined by the Commissioner of the Public Employees Retirement Administration.

Investments are reported in accordance with PERAC requirements.

## **SUPPLEMENTARY SCHEDULES**

**TOWN OF NORTON, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
School Grants	\$ 251,163	\$ 1,673,284	\$ 1,820,705	\$ (8)	\$ 103,734
Arts Lottery Council Grant	4,626	4,779	4,785	-	4,620
Council on Aging Grants	7,955	10,976	17,777	-	1,154
Extended Polling Hours	-	1,038	1,038	-	-
Highway Grants	60,808	361,956	396,594	-	26,170
Other Grants	2,372	-	-	-	2,372
Public Safety Grants	16,677	89,166	94,192	-	11,651
<b>Schools:</b>					
School Lunch Program	75,651	707,950	745,798	-	37,803
School Lunch Commodities	-	26,774	26,774	-	-
School Private Grants	-	92,922	84,331	-	8,591
Revolving Accounts	572,188	841,804	822,370	-	591,622
State Special Education Reimbursement	207,269	969,784	896,516	-	280,537
<b>Other:</b>					
Ambulance Fund	681,632	594,521	-	(578,307)	697,846
Board of Health Mini-Grant	2,381	-	-	-	2,381
Bristol County Homeland Security Grants	565	-	-	-	565
Clean Energy Choice Grant	1,470	-	-	-	1,470
Compost Bin Recycling Bin Revolving	646	250	-	-	896
Conservation Outside Consultant Fees	7,893	10,200	9,725	-	8,368
Dog Fund	72,554	27,636	-	(19,601)	80,589
Forestry Revolving	1,622	-	-	-	1,622
Gifts and Donations	363,458	122,045	151,600	4,000	337,903
Hazardous Materials Revolving	289	3,139	936	-	2,492
Insurance Reimbursement	2,310	111,307	7,033	(106,584)	-
Jackson Property Fees	12,000	9,100	-	-	21,100
Law Enforcement Fund	38,824	24,005	10,507	-	52,322
Parks and Recreation Revolving	11,198	22,546	24,918	-	8,826
Planning Board Review Fund	38,980	7,499	7,872	-	38,607
Police Restitution	46	1,019	245	-	820
Premium on Sale of Bonds	-	78,986	61,214	(17,772)	-
<b>Sub-total Special Revenue Funds - Page 50</b>	<b>\$ 2,434,577</b>	<b>\$ 5,792,686</b>	<b>\$ 5,184,930</b>	<b>\$ (718,272)</b>	<b>\$ 2,324,061</b>



**TOWN OF NORTON, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
<b>Continued from Page 50</b>					
<b>Other (continued):</b>					
Public Safety Outside Detail Funds	\$ -	591,487	591,487	-	-
Recycling Revolving	25,313	2,656	5,090	-	22,879
Septic Program	646,092	158,409	48,216	(83,120)	673,165
Wetlands Protection Fund	8,195	14,910	508	-	22,597
Zoning Board of Appeals Outside Consultant Fees	5,750	5,512	3,245	-	8,017
Conservation Fund	2,820	4	-	-	2,824
Sale of Pines Fund	18,457	27	-	-	18,484
War Memorial Fund	463	1	-	-	464
<b>Total Special Revenue Funds</b>	<b>3,141,667</b>	<b>6,565,692</b>	<b>5,833,476</b>	<b>(801,392)</b>	<b>3,072,491</b>
<b>Capital Projects:</b>					
Henri Yelle School Repairs	(75,000)	-	-	37,500	(37,500)
High School Feasibility Study	(193,070)	67,307	57,977	193,376	9,636
High School Track Bleachers	-	-	605,074	650,000	44,926
Land Purchase	9,945	-	-	-	9,945
Middle School Repairs	(311,110)	-	-	155,555	(155,555)
New Middle School	3,793	-	-	-	3,793
Public Safety Projects	(421,530)	-	67,329	250,000	(238,859)
Fire Truck Replacement	-	-	461,497	475,000	13,503
<b>Sewer Projects:</b>					
Interceptor Sewerage Collection System	4,915	-	-	-	4,915
Knollwood Sewerage Collection System	12,966	-	-	-	12,966
Lake Winnecunnet Wastewater	12,064	-	-	-	12,064
Sewer Main	13,304	-	-	-	13,304
<b>Total Capital Projects Fund</b>	<b>(943,723)</b>	<b>67,307</b>	<b>1,191,877</b>	<b>1,761,431</b>	<b>(306,862)</b>

**TOWN OF NORTON, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
<b>Perpetual Permanent Funds:</b>					
Cemetery Perpetual Care Fund	\$ 228,500	\$ 2,700	\$ -	\$ -	\$ 231,200
Library Fund	2,000	-	-	-	2,000
Wetherell Athletic Fund	10,000	-	-	-	10,000
<b>Total Perpetual Permanent Funds</b>	<b>240,500</b>	<b>2,700</b>	<b>-</b>	<b>-</b>	<b>243,200</b>
<b>Permanent Funds:</b>					
Cemetery Perpetual Care Fund	91,176	465	629	-	91,012
Library Fund	45	42	-	-	87
Wetherell Athletic Fund	197	15	-	-	212
<b>Total Permanent Funds</b>	<b>91,418</b>	<b>522</b>	<b>629</b>	<b>-</b>	<b>91,311</b>
<b>Total - Non-Major Governmental Funds</b>	<b>\$ 2,529,862</b>	<b>\$ 6,636,221</b>	<b>\$ 7,025,982</b>	<b>\$ 960,039</b>	<b>\$ 3,100,140</b>

**TOWN OF NORTON, MASSACHUSETTS**  
**SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES**  
**AND DEFERRED PROPERTY TAXES**  
**JULY 1, 2011 TO JUNE 30, 2012**

	Uncollected Taxes July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2012	Uncollected Taxes Per Detail June 30, 2012
<b>Real Estate Taxes:</b>						
Levy of 2012	\$ -	\$ 26,650,931	\$ 409,075	\$ 25,851,675	\$ 390,181	\$ 390,181
Levy of 2011	345,295	-	47,682	293,178	4,435	4,435
Levy of 2010	(365)	-	-	(365)	-	-
Prior Years	53,436	-	1	(1)	53,436	53,436
	<u>398,366</u>	<u>26,650,931</u>	<u>456,758</u>	<u>26,144,487</u>	<u>448,052</u>	<u>448,052</u>
<b>Personal Property Taxes:</b>						
Levy of 2012	-	800,606	33,562	750,161	16,883	16,883
Levy of 2011	16,308	-	40,000	(38,120)	14,428	14,428
Levy of 2010	13,689	-	12,800	(12,588)	13,477	13,477
Levy of 2009	19,252	-	-	614	18,638	18,638
Levy of 2008	9,840	-	-	683	9,157	9,157
Prior Years	31,164	-	-	1,517	29,647	29,647
	<u>90,253</u>	<u>800,606</u>	<u>86,362</u>	<u>702,267</u>	<u>102,230</u>	<u>102,230</u>
<b>Total Real Estate and Personal Property Taxes</b>	<u>\$ 488,619</u>	<u>\$ 27,451,537</u>	<u>\$ 543,120</u>	<u>\$ 26,846,754</u>	<u>\$ 550,282</u>	<u>\$ 550,282</u>
<b>Deferred Property Taxes</b>	<u>\$ 26,534</u>	<u>\$ 6,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,543</u>	<u>\$ 32,543</u>

**TOWN OF NORTON, MASSACHUSETTS  
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES  
JULY 1, 2011 TO JUNE 30, 2012**

	Uncollected Taxes July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2012	Uncollected Taxes Per Detail June 30, 2012
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2012	\$ -	\$ 2,064,359	\$ 45,766	\$ 1,893,139	\$ 125,454	\$ 125,454
Levy of 2011	123,935	221,083	24,232	287,310	33,476	33,476
Levy of 2010	34,298	45	1,570	17,860	14,913	14,913
Levy of 2009	16,090	45	447	4,466	11,222	11,222
Levy of 2008	11,484	-	-	1,602	9,882	9,882
Prior Years	81,695	-	-	3,682	78,013	78,013
<b>Total Motor Vehicle Excise Taxes</b>	<b>\$ 267,502</b>	<b>\$ 2,285,532</b>	<b>\$ 72,015</b>	<b>\$ 2,208,059</b>	<b>\$ 272,960</b>	<b>\$ 272,960</b>

**TOWN OF NORTON, MASSACHUSETTS**  
**SCHEDULE OF TAX LIENS AND TAXES IN LITIGATION**  
**JULY 1, 2011 TO JUNE 30, 2012**

	Uncollected Accounts July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2012	Uncollected Accounts Per Detail June 30, 2012
Tax Liens	\$ 976,694	\$ 261,385	\$ 22,876	\$ 378,375	\$ 836,828	\$ 820,890
Taxes in Litigation	\$ 1,092	\$ -	\$ -	\$ -	\$ 1,092	\$ 1,092