

TOWN OF NORTON, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2009

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Independent Auditors' 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, 2009, 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 *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 also 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, 2009, and the respective changes in financial position, 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 February 12, 2010, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Norton, Massachusetts, basic financial statements. The supplementary supporting statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Norton, Massachusetts. Such information has been

subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's discussion and analysis, located on the following pages, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Scanlon & Associates, LLC

Scanlon & Associates, LLC
February 12, 2010

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, 2009.

Financial Highlights

- The Town's assets exceeded its liabilities by \$49,867,026 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$43,938,619 or a decrease of \$3,153,059.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$34,325,576 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$11,989,409 are restricted by constraints imposed from outside the Town such as grantors, laws or regulations.
 - (3) Unrestricted net assets of \$3,552,041 represent a portion available to maintain the Town's continuing obligations to citizens and creditors.
- The Town's governmental funds reported total ending fund balance of \$11,259,031 this year. This compares to the prior year ending fund balance of \$12,702,892 showing a decrease of \$1,443,861 during the current year.
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$1,602,922, or 3.15% of total General Fund expenditures including transfers out and 3.19% of total General Fund revenues including transfers in and capital lease.
- Total liabilities of the Town increased by \$8,702,817 to \$43,624,388 during the fiscal year.

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

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows 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

	Governmental Activities		
	2009	2008	Change
Assets:			
Current assets	\$ 18,194,701	\$ 19,351,614	\$ (1,156,913)
Noncurrent assets (excluding capital assets)	10,903,985	11,853,095	(949,110)
Capital assets	40,385,550	41,025,693	(640,143)
Total assets	69,484,236	72,230,402	(2,746,166)
Liabilities:			
Current liabilities (excluding debt and leases)	3,353,218	3,180,926	172,292
Noncurrent liabilities (excluding debt and leases)	5,671,726	3,804,650	1,867,076
Current debt including leases	2,972,477	2,955,749	16,728
Noncurrent debt including leases	16,701,255	18,350,548	(1,649,293)
Total liabilities	28,698,676	28,291,873	406,803
Net Assets:			
Capital assets net of related debt	32,430,497	32,263,385	167,112
Restricted	6,930,687	6,707,910	222,777
Unrestricted	1,424,376	4,967,324	(3,542,948)
Total net assets	40,785,560	43,938,619	(3,153,059)

	Business-Type Activities		
	2009	2008	Change
Assets:			
Current assets	\$ 8,042,099	\$ 4,414,469	\$ 3,627,630
Capital assets	15,965,079	11,432,753	4,532,326
Total assets	24,007,178	15,847,222	8,159,956
Liabilities:			
Current liabilities (excluding debt)	783,954	172,790	611,164
Noncurrent liabilities (excluding debt)	71,758	26,998	44,760
Current debt	760,000	360,000	400,000
Noncurrent debt	13,310,000	6,070,000	7,240,000
Total liabilities	14,925,712	6,629,788	8,295,924
Net Assets:			
Capital assets net of related debt	1,895,079	5,002,753	(3,107,674)
Restricted	5,058,722	1,862,114	3,196,608
Unrestricted	2,127,665	2,352,567	(224,902)
Total net assets	9,081,466	9,217,434	(135,968)

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2009	2008	Change
Program Revenues:			
Charges for services	\$ 4,267,306	\$ 4,054,803	\$ 212,503
Operating grants and contributions	21,372,835	20,245,404	1,127,431
Capital grants and contributions	421,407	420,538	869
General Revenues:			
Property taxes	24,094,502	23,259,978	834,524
Motor vehicle excise and other taxes	2,000,683	2,565,340	(564,657)
Hotel room occupancy taxes	45,401	44,675	726
Penalties and interest on taxes	194,029	233,433	(39,404)
Nonrestricted grants	2,544,598	2,840,952	(296,354)
Unrestricted investment income	31,021	266,100	(235,079)
Miscellaneous	10,653	9,651	1,002
Total revenues	54,982,435	53,940,874	1,041,561
Expenses:			
General government	1,750,817	2,099,652	(348,835)
Public safety	6,482,157	6,714,289	(232,132)
Public works (Including sewer)	2,238,185	1,945,739	292,446
Education	28,637,958	27,611,810	1,026,148
Health and human services	547,097	596,515	(49,418)
Culture and recreation	421,256	619,201	(197,945)
Employee benefits and insurance	14,893,462	14,380,078	513,384
State assessments	2,460,039	2,210,443	249,596
Interest	896,683	967,186	(70,503)
Total expenses	58,327,654	57,144,913	1,182,741
Contributions to permanent funds	4,000	14,400	(10,400)
Gain on sale of capital assets	-	127,499	(127,499)
Transfers	188,160	168,011	20,149
Change in net assets	(3,153,059)	(2,894,129)	(258,930)
Net assets - beginning of year	43,938,619	46,832,748	(2,894,129)
Net assets - end of year	\$ 40,785,560	\$ 43,938,619	\$ (3,153,059)

	Business-Type Activities		
	2009	2008	Change
Program Revenues:			
Charges for services	\$ 2,542,931	\$ 2,318,000	\$ 224,931
Total revenues	2,542,931	2,318,000	224,931
Expenses:			
Water	2,490,739	1,896,381	594,358
Total expenses	2,490,739	1,896,381	594,358
Transfers	(188,160)	(168,011)	(20,149)
Change in net assets	(135,968)	253,608	(389,576)
Net assets - beginning of year	9,217,434	8,963,826	253,608
Net assets - end of year	\$ 9,081,466	\$ 9,217,434	\$ (135,968)

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 \$49,867,026 at the close of FY 2009.

Net assets of \$34,325,576 (69%) 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 \$11,989,409 (24%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$3,552,041 (7%) 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 all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The governmental activities net assets decreased by \$3,153,059 during the current fiscal year, which reflects the general fund's results of operation. This was mainly attributed to expenditures exceeding revenues by \$3,345,219, contributions to permanent funds of \$4,000 and transfers from the water business-type activities of \$188,160.

There was a decrease of \$135,968 in net assets reported in connection with the water business-type activities. In the water department the increase was mainly attributed to transfers to the general fund of \$188,160 plus current operational revenues and non-operating revenues exceeding the current operational expenses by \$52,192.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$11,259,031. Of this year-end total, \$1,602,922 is the undesignated general fund balance, indicating availability for continuing Town service requirements. Reserved and designated fund balances include \$928,211 committed to liquidate encumbrances and carried forward articles remaining from the prior year; \$234,800 in perpetual permanent funds; \$1,494,377 in funds designated for fiscal year 2010, \$7,576,281 in special revenue funds; \$(668,931) in capital project funds and \$91,371 in permanent funds.

The deficit of \$(668,931) in the capital projects fund includes school repairs that ended the fiscal year 2009 with a negative fund balance of \$800,430 due to the fact that interim financing is being accomplished with bond anticipation notes. A total of \$885,060 in bond anticipation notes were outstanding. Permanent financing will be done once the project nears completion. At that time the deficit will be eliminated.

The total ending fund balances of the governmental funds shows a decrease of \$1,443,861 in comparison with the prior year. This decrease was mainly due to expenditures exceeding revenues by \$1,774,759, transfers from the business-type fund in the amount of \$188,160 and the financing of a capital lease for \$142,738.

Major Governmental Funds

The *General Fund* is the Town's primary operating fund and the largest source of day-to-day operations. At the end of the current fiscal year, unreserved/undesignated fund balance of the general fund was \$1,602,922, while total fund balance reached \$3,233,632. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and revenues and transfers. Unreserved fund balance represents 3.15% of total general fund expenditures including transfers and total fund balance represents 6.34% of that same amount. Unreserved/undesignated fund balance represents 3.19% of total general fund revenues including transfers and the proceeds of a capital lease and total fund balance represents 6.44% of that same amount.

The fund balance of the general fund decreased by \$779,731. Of this amount \$1,980,980 was attributed to the expenditures over revenues, \$870,351 of net transfers from other governmental funds, \$188,160 from the business-type funds and \$142,738 from the financing of a capital lease.

The *Stabilization Fund* has accumulated a fund balance of \$903,755, or 1.78% of total general fund expenditures including transfers and 1.80% of total general fund revenues including transfers and the proceeds of a capital lease. These funds can be used for general or capital purposes upon Town meeting approval.

The fund balance of the stabilization fund decreased by \$19,038. The total decrease was attributed to investment income of \$18,212 and net transfers out to the general fund for \$37,250. Please refer to Note 3H for additional information.

The *Cyrus Hicks Fund* has accumulated a fund balance of \$4,599,385, or 9.02% of total general fund expenditures including transfers and 9.17% of total general fund revenues including transfers and the proceeds of a capital lease. The fund is a 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 the Town, in accordance with the wishes of the trustees.

The fund balance of the *Cyrus Hicks Fund* decreased by \$499,056. Of this amount \$(281,338) was attributed to investment income and the unrealized loss on the market value of investments, \$44,718 in expenditures and \$173,000 of transfers to the general and nonmajor governmental funds.

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 a decrease of \$135,968 in total operations, the result of operating revenues exceeding operating expenditures of \$600,603, interest expense of \$548,411 and transfers to the general fund of \$188,160.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2009 was \$50,187,004. This was an increase of \$1,174,749 over the previous year's final budget.

There was an increase of \$372,406 between the original budget and the final amended budget.

The increase from the original budget is for various operating budgets of \$361,177, the first year payment on the highway department vehicle lease for \$31,200, bills of prior years for \$2,662, collective bargaining agreement for \$11,840 transferred to the water fund and the return of unused appropriations to the funding source for \$10,793.

There are negative variances in property taxes, state receipts, excise and other taxes, licenses, permits and fees, interest on taxes and interest on investments of \$113,808, \$1,559,261, \$82,983, \$101,843, \$5,971 and \$113,825, respectively. The negative variance in property taxes is the result of a decrease in collections. The negative variance in state receipts is the result of a reduction in state aid as announced by the Commonwealth as a result of the condition of the state budget. The Commonwealth replaced a portion of these funds with the American Recovery and Reinvestment Act (ARRA). The negative variance in excise and other taxes is the result of a decline in vehicle sales and an increase in vehicle age. The negative variance in licenses, permits and fees is primarily the decrease in building permits. The negative variance in interest on taxes was attributed to payments being made on a more timely basis. The negative variance in interest on investments was attributed to a drop in interest rates.

A negative variance of \$6,019 exists in state assessments. This was attributed to expenditures exceeding the amount estimated for the RMV non-renewal surcharge assessment for \$2,080, the special education assessment for \$431 and the charter school assessment of \$41,008 and over assessments in the school choice assessment of \$37,500.

Of the \$3,503,850 in under budget expenditures \$928,211 has been carried over to fiscal year 2010.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets as of June 30, 2009 amounts to \$56,350,629 consisting of governmental activities capital assets of \$40,385,550 and business-type activities capital assets of \$15,965,079.

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:

- Rescue boat for \$43,000.
- Two police vehicles for \$58,195.
- Two school vehicles for \$35,661.
- An excavator for \$53,752.
- Department of public works vehicle for \$142,738.
- Road improvements/infrastructure for \$300,825.
- Property foreclosures for \$229,898.
- School building improvements for \$337,196.
- School departmental equipment for \$176,116.

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

- A water vehicle for \$40,866.
- SCADA equipment for \$21,210.
- Water infrastructure improvements \$4,888,780.

Debt Administration. The Town's outstanding governmental long-term debt, as of June 30, 2009, totaled \$18,286,244, of which \$10,900,000 is for the middle school project, \$1,650,000 is for school building renovations, \$1,365,000 is for various land acquisitions, \$2,219,967 is for sewer projects, \$1,200,000 is for the police station, \$700,072 is for the Title V septic loan projects, and \$251,205 for the water resource management project.

The business-type funds have outstanding long-term debt as of June 30, 2009 totaling \$14,070,000, of which all relates to water projects.

The Town has bond anticipation notes outstanding in the amount of \$1,211,562 as of June 30, 2009 of which \$326,502 is for Title V septic loan projects and \$885,060 is for school repairs.

The Town has capital leases for financing the acquisition of a fire truck, an ambulance and a highway tractor. The Town currently owes \$192,122 on the leases including \$175,926 in principal and \$16,196 in interest.

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

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, 2009**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 7,040,454	\$ 7,322,143	\$ 14,362,597
Investments	7,345,057	-	7,345,057
Receivables, net of allowance for uncollectibles:			
Property Taxes	513,778	-	513,778
Deferred Property Taxes	23,084	-	23,084
Tax Liens	704,390	-	704,390
Taxes in Litigation	1,092	-	1,092
Excise Taxes	217,389	-	217,389
User Charges	297,390	719,956	1,017,346
Departmental	193,094	-	193,094
Special Assessments	132,372	-	132,372
Due from Other Governments	1,726,601	-	1,726,601
Total current assets	<u>18,194,701</u>	<u>8,042,099</u>	<u>26,236,800</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	1,096,310	-	1,096,310
Due from Other Governments	9,807,675	-	9,807,675
Capital Assets, net of accumulated Depreciation			
Nondepreciable	7,033,653	5,223,706	12,257,359
Depreciable	33,351,897	10,741,373	44,093,270
Total noncurrent assets	<u>51,289,535</u>	<u>15,965,079</u>	<u>67,254,614</u>
Total Assets	<u>69,484,236</u>	<u>24,007,178</u>	<u>93,491,414</u>
LIABILITIES			
CURRENT:			
Warrants Payable	719,984	306,613	1,026,597
Accrued Payroll	770,733	39,370	810,103
Payroll Withholdings	729,733	-	729,733
Tax Refund Payable	110,050	-	110,050
Accrued Interest	248,840	187,970	436,810
Retainage Payable	-	203,654	203,654
Other	123,808	-	123,808
Compensated Absences	650,070	46,347	696,417
Bond Anticipation Notes	1,211,562	-	1,211,562
Bonds and Leases Payable	1,760,915	760,000	2,520,915
Total current liabilities	<u>6,325,695</u>	<u>1,543,954</u>	<u>7,869,649</u>
NONCURRENT:			
Compensated Absences	1,079,350	71,758	1,151,108
OPEB Obligation Payable	4,592,376	-	4,592,376
Bonds and Leases Payable	16,701,255	13,310,000	30,011,255
Total noncurrent liabilities	<u>22,372,981</u>	<u>13,381,758</u>	<u>35,754,739</u>
Total Liabilities	<u>28,698,676</u>	<u>14,925,712</u>	<u>43,624,388</u>
NET ASSETS:			
Invested in Capital Assets, net of related debt	32,430,497	1,895,079	34,325,576
Restricted for:			
Capital Projects	216,129	5,058,722	5,274,851
Federal & State Grants	592,796	-	592,796
Permanent Funds:			
Expendable	91,371	-	91,371
Nonexpendable	4,834,185	-	4,834,185
Other Purposes	1,196,206	-	1,196,206
Unrestricted	1,424,376	2,127,665	3,552,041
Total Net Assets	<u>\$ 40,785,560</u>	<u>\$ 9,081,466</u>	<u>\$ 49,867,026</u>

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, 2009**

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 1,750,817	\$ 160,281	\$ 53,356	-	(1,537,180)	-	(1,537,180)
Public Safety	6,482,157	1,759,098	182,674	-	(4,540,385)	-	(4,540,385)
Public Works (including sewer)	2,238,185	824,590	6,426	421,407	(985,762)	-	(985,762)
Education	28,637,958	1,337,864	15,245,143	-	(12,054,951)	-	(12,054,951)
Health and Human Services	547,097	185,473	145,873	-	(215,751)	-	(215,751)
Culture and Recreation	421,256	-	13,237	-	(408,019)	-	(408,019)
Employee Benefits and Insurance	14,893,462	-	5,189,517	-	(9,703,945)	-	(9,703,945)
State Assessments	2,460,039	-	-	-	(2,460,039)	-	(2,460,039)
Interest	896,683	-	536,609	-	(360,074)	-	(360,074)
Total Governmental Activities	58,327,654	4,267,306	21,372,835	421,407	(32,266,106)	-	(32,266,106)
Business-Type Activities:							
Water	2,490,739	2,542,931	-	-	-	52,192	52,192
Total Primary Government	\$ 60,818,393	\$ 6,810,237	\$ 21,372,835	\$ 421,407	(32,266,106)	52,192	(32,213,914)
General Revenues:							
Property Taxes					24,094,502	-	24,094,502
Motor vehicle and other taxes					2,000,683	-	2,000,683
Hotel room occupancy taxes					45,401	-	45,401
Penalties & interest on taxes					194,029	-	194,029
Grants & Contributions not restricted to specific programs					2,544,598	-	2,544,598
Unrestricted Investment Income					31,021	-	31,021
Miscellaneous					10,653	-	10,653
Contributions to Permanent Funds					4,000	-	4,000
Transfers, net					188,160	(188,160)	-
Total General Revenues, Contributions and Transfers					29,113,047	(188,160)	28,924,887
Change in Net Assets					(3,153,059)	(135,968)	(3,289,027)
Net Assets:							
Beginning of year					43,938,619	9,217,434	53,156,053
End of year					\$ 40,785,560	\$ 9,081,466	\$ 49,867,026

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

**TOWN OF NORTON, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General Fund	Stabilization Fund	Cyrus Hicks Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 2,756,720	\$ 903,755	\$ -	\$ 3,379,979	\$ 7,040,454
Investments	2,745,672	-	4,599,385	-	7,345,057
Receivables, net of allowance for uncollectibles:					
Property Taxes	513,778	-	-	-	513,778
Deferred Property Taxes	23,084	-	-	-	23,084
Tax Liens	704,390	-	-	-	704,390
Taxes in Litigation	1,092	-	-	-	1,092
Excise Taxes	217,389	-	-	-	217,389
User Charges	297,390	-	-	-	297,390
Departmental	-	-	-	193,094	193,094
Special Assessments	714,438	-	-	514,244	1,228,682
Due from Other Governments	10,830,862	-	-	703,414	11,534,276
Total Assets	\$ 18,804,815	\$ 903,755	\$ 4,599,385	\$ 4,790,731	\$ 29,098,686

LIABILITIES AND FUND BALANCE:

Liabilities:	\$ 714,231	\$ -	\$ -	\$ 5,753	\$ 719,984
Warrants Payable	637,188	-	-	133,545	770,733
Accrued Payroll	729,733	-	-	-	729,733
Employee Withholdings	110,050	-	-	-	110,050
Tax Refund Payable	123,808	-	-	-	123,808
Other	-	-	-	-	-
Deferred Revenue:					
Property Taxes	467,528	-	-	-	467,528
Other	12,788,645	-	-	917,612	13,706,257
Bond Anticipation Notes	-	-	-	1,211,562	1,211,562
Total Liabilities	15,571,183	-	-	2,268,472	17,839,655

Fund Balance:

Reserved For:	928,211	-	-	-	928,211
Encumbrances and continuing appropriations	-	-	-	-	234,800
Perpetual Permanent Funds	-	-	-	234,800	-
Unreserved:					
Designated for Subsequent Years' Expenditures	702,499	100,000	-	691,878	1,494,377
Undesignated, reported in:					
General Fund	1,602,922	903,755	4,499,385	2,173,141	1,602,922
Special Revenue	-	-	-	(668,931)	7,576,281
Capital Projects	-	-	-	91,371	(668,931)
Permanent Funds	-	-	-	-	91,371
Total Fund Balance	3,233,632	903,755	4,599,385	2,522,259	11,259,031
Total Liabilities and Fund Balance	\$ 18,804,815	\$ 903,755	\$ 4,599,385	\$ 4,790,731	\$ 29,098,686

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, 2009**

	General Fund	Stabilization Fund	Cyrus Hicks Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 24,133,461	\$ -	\$ -	\$ -	\$ 24,133,461
State Receipts	16,382,844	-	-	-	16,382,844
Excise and Other Taxes	2,073,606	-	-	-	2,073,606
Licenses, Permits, Fees	1,742,857	-	-	-	1,742,857
Interest on Taxes	194,029	-	-	-	194,029
Investment Income	286,175	18,212	(281,338)	12,433	35,482
Intergovernmental - "On-behalf" Payments	4,103,066	-	-	4,000	4,103,066
Additions	-	-	-	7,166,696	7,166,696
Grants and Fees	-	-	-	-	-
Total Revenues	48,916,038	18,212	(281,338)	7,183,129	55,836,041
Expenditures:					
Current:					
General Government	1,785,685	-	44,718	105,756	1,936,159
Public Safety	5,788,010	-	-	956,223	6,744,233
Public Works (including sewer)	1,842,920	-	-	384,881	2,227,801
Education	24,097,025	-	-	3,983,587	28,080,612
Health and Human Services	413,016	-	-	88,790	501,806
Culture and Recreation	307,852	-	-	59,364	367,216
Employee Benefits and Insurance	11,634,334	-	-	1,090,463	12,724,797
State Assessments	2,460,039	-	-	-	2,460,039
Debt Service:					
Principal	1,672,586	-	-	-	1,672,586
Interest	895,551	-	-	-	895,551
Total Expenditures	50,897,018	-	44,718	6,669,064	57,610,800
Excess of Revenues Over (Under) Expenditures	(1,980,980)	18,212	(326,056)	514,065	(1,774,759)
Other Financing Sources (Uses):					
Operating Transfers In	1,112,344	-	-	94,993	1,207,337
Operating Transfers Out	(53,833)	(37,250)	(173,000)	(755,094)	(1,019,177)
Capital Lease	142,738	-	-	-	142,738
Total Other Financing Sources (Uses)	1,201,249	(37,250)	(173,000)	(660,101)	330,898
Net Change in Fund Balances	(779,731)	(19,038)	(499,056)	(146,036)	(1,443,861)
Fund Balances, Beginning of Year	4,013,363	922,793	5,098,441	2,668,295	12,702,892
Fund Balances, End of Year	\$ 3,233,632	\$ 903,755	\$ 4,599,385	\$ 2,522,259	\$ 11,259,031

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, 2009

Total Governmental Fund Balances	\$	11,259,031
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds		40,385,550
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis		14,173,785
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:		
Bonds and Leases Payable	\$ (18,462,170)	
Other Post Employment Benefits Payable	(4,592,376)	
Compensated Absences	<u>(1,729,420)</u>	(24,783,966)
In statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due		<u>(248,840)</u>
Net Assets of Governmental Activities	\$	<u>40,785,560</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, 2009

Net Change in Fund Balances - Total Governmental Funds	\$	(1,443,861)
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital Outlay Purchases	\$ 1,377,381	
Depreciation	<u>(2,017,524)</u>	(640,143)
<p>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</p>		
		(849,606)
<p>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:</p>		
Repayment of Debt Principal and Lease Principal	\$ 1,850,303	
Capital Lease Financing	<u>(142,738)</u>	1,707,565
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Net Change in Compensated Absences	\$ 242,783	
Net Change in Other Post Employment Benefits	(2,168,665)	
Net Change in Accrued Interest on Long-Term Debt	<u>(1,132)</u>	(1,927,014)
Change in Net Assets of Governmental Activities		<u>\$ (3,153,059)</u>

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, 2009**

	Budgeted Amounts		Actual	Amounts Carried Forward to Next year	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis		
Revenues:					
Property Taxes	\$ 24,145,463	\$ 24,212,469	\$ 24,098,661	\$ -	\$ (113,808)
State Receipts	17,942,105	17,942,105	16,382,844	-	(1,559,261)
Excise and Other Taxes	2,156,589	2,156,589	2,073,606	-	(82,983)
Licenses, Permits, Fees	1,844,700	1,844,700	1,742,857	-	(101,843)
Interest on Taxes	200,000	200,000	194,029	-	(5,971)
Interest on Investments	400,000	400,000	286,175	-	(113,825)
Total Revenues	46,688,857	46,755,863	44,778,172	-	(1,977,691)
Expenditures:					
Current:					
General Government	2,206,970	2,298,349	1,785,685	253,398	259,266
Public Safety	5,870,443	5,968,535	5,788,010	17,612	162,913
Public Works (including sewer)	1,888,211	2,143,508	1,700,182	238,363	204,963
Education	24,787,763	24,795,689	24,097,025	380,217	318,447
Health and Human Services	468,069	474,074	413,016	22,081	38,977
Culture and Recreation	322,035	321,635	307,853	10,574	3,208
Employee Benefits and Insurance	9,299,304	9,213,411	7,657,992	5,966	1,549,453
State Assessments	2,454,020	2,454,020	2,460,039	-	(6,019)
Debt Service:					
Principal	1,661,845	1,661,845	1,651,844	-	10,001
Interest	855,938	855,938	821,508	-	34,430
Total Expenditures	49,814,598	50,187,004	46,683,154	928,211	2,575,639
Excess of Revenues Over (Under) Expenditures	(3,125,741)	(3,431,141)	(1,904,982)	(928,211)	597,948
Other Financing Sources (Uses):					
Operating Transfers In (Out)	1,085,534	1,067,101	1,058,511	-	(8,590)
Sale of Foreclosure Property	-	-	-	-	-
Total Other Financing Sources (Uses)	1,085,534	1,067,101	1,058,511	-	(8,590)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(2,040,207)	(2,364,040)	(846,471)	(928,211)	589,358
Budgetary Fund Balance - Beginning of Year	4,143,903	4,143,903	4,143,903	-	-
Budgetary Fund Balance - End of Year	\$ 2,103,696	\$ 1,779,863	\$ 3,297,432	\$ (928,211)	\$ 589,358

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, 2009

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 44,778,172	\$ 46,683,154
Net Increase in Revenue from recording		
Refund Taxes Payable	62,950	-
Recognition of intergovernmental Revenue -		
"on behalf payments"	4,103,066	-
Recognition of Expenditures -		
"on behalf payments"	-	4,103,066
Net Decrease in Expenditures - Accrued Expenses	-	(31,940)
Capital Leases	-	142,738
Net Decrease in Revenue from Recording		
60-Day Receipts	(28,150)	-
	\$ 48,916,038	\$ 50,897,018
Reported on a GAAP Basis	\$ 48,916,038	\$ 50,897,018

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, 2009**

		<u>Business-Type Activities Enterprise Fund</u>
		<u>Water Fund</u>
ASSETS		
CURRENT:		
Cash and Cash Equivalents	\$	7,322,143
User Charges, net of allowance for uncollectibles		719,956
Total current assets		<u>8,042,099</u>
NONCURRENT:		
Capital Assets, net of accumulated depreciation:		
Nondepreciable		5,223,706
Depreciable		10,741,373
Total noncurrent assets		<u>15,965,079</u>
Total Assets		<u><u>24,007,178</u></u>
LIABILITIES		
CURRENT:		
Accounts Payable		306,613
Accrued Payroll		39,370
Accrued Interest		187,970
Retainage Payable		203,654
Compensated Absences		46,347
Bonds Payable		760,000
Total current liabilities		<u>1,543,954</u>
NONCURRENT:		
Compensated Absences		71,758
Bonds Payable		13,310,000
Total noncurrent liabilities		<u>13,381,758</u>
Total Liabilities		<u><u>14,925,712</u></u>
NET ASSETS:		
Invested in Capital Assets, net of related debt		1,895,079
Restricted for Capital		5,058,722
Unrestricted		2,127,665
Total Net Assets	\$	<u><u>9,081,466</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, 2009**

	Business-Type Activities Enterprise Fund
	Water Fund
Operating Revenues:	
Charges for Services	\$ 2,326,200
Other	216,731
Total Operating Revenues	2,542,931
Operating Expenses:	
Salaries & Wages	641,117
Operating Expenses	882,681
Depreciation	418,530
Total Operating Expenses	1,942,328
Operating Income (Loss)	600,603
Non-Operating Revenues (Expenses):	
Interest Expense	(548,411)
Total Non-Operating Revenues (Expenses)	(548,411)
Income (Loss) Before Operating Transfers	52,192
Operating Transfers:	
Transfers (Out)	(188,160)
Total Operating Transfers	(188,160)
Change in Net Assets	(135,968)
Net Assets at Beginning of Year	9,217,434
Net Assets at End of Year	\$ 9,081,466

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, 2009**

	Business-Type Activities Enterprise Fund
	Water Fund
Cash Flows From Operating Activities:	
Receipts from Customers and Users	\$ 2,292,851
Receipts from Other Revenues	216,731
Payments to Vendors	(877,970)
Payments to Employees	(582,047)
Net Cash Provided by (Used for) Operating Activities	1,049,565
Cash Flows from Noncapital Financing Activities:	
Transfers from (to) Other Funds	(188,160)
Net Cash Provided by (Used for) Noncapital Financing Activities	(188,160)
Cash Flows from Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(4,483,193)
Proceeds from the Issuance of Bonds	8,000,000
Principal Payments on Bonds	(360,000)
Interest Expense	(423,931)
Net Cash Provided by (Used for) Capital and Related Financing Activities	2,732,876
Net Increase (Decrease) in Cash and Cash Equivalents	3,594,281
Cash and Cash Equivalents at Beginning of Year	3,727,862
Cash and Cash Equivalents at End of Year	\$ 7,322,143
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:	
Operating Income (Loss)	\$ 600,603
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	418,530
Change in Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	4,711
Increase (Decrease) in Accrued Payroll	14,251
Increase (Decrease) in Compensated Absences	44,819
Decrease (Increase) in User Charges Receivable	(33,349)
Total Adjustments	448,962
Net Cash Provided by (Used for) Operating Activities	\$ 1,049,565

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, 2009**

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 100,188	\$ 805,853
Total Assets	100,188	805,853
LIABILITIES		
Warrants Payable		3,590
Due to Others	-	2,370
Due to Student Groups	-	138,590
Deposits and Escrows	-	661,303
Total Liabilities	-	805,853
NET ASSETS:		
Held in Trust for Other Purposes	\$ 100,188	\$ -

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, 2009**

	Private Purpose Trust Funds
Additions	
Contributions:	
Private Donations	\$ 34,100
Total Contributions	34,100
Investment Income:	
Interest & Dividends	2,421
Total Investment Earnings	2,421
Total Additions	36,521
Deductions:	
Educational Scholarships	38,950
Total Deductions	38,950
 Change in Net Assets	 (2,429)
 Net Assets at Beginning of Year	 102,617
 Net Assets at End of Year	 \$ 100,188

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

TOWN OF NORTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2009, it was determined that no entities met the required GASB-14 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 elderly, handicap and families. 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.

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.

B. Government-Wide and Fund 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

TOWN OF NORTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

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*.

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 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.

Fiduciary funds are reported by fund type.

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

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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. 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.

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 government reports the following major governmental funds:

TOWN OF NORTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

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 *stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide general and/or capital reserves, and planning and development's ongoing and future operations.

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 government reports the following major proprietary fund:

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

Additionally, the government 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 *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.

The non-major governmental fund consists of other special revenue, capital projects, 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 funds 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.

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

TOWN OF NORTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

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.

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.

TOWN OF NORTON, MASSACHUSETTS
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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.

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

Property taxes are based on assessments as of January 1, 2008 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 2009 on June 26, 2008, that were due on August 1, 2008 and November 3, 2008 and actual bills on December 30, 2008 that were due on February 2, 2009 and May 1, 2009.

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 2009 is \$24,523,164. The total amount raised by taxation was \$24,500,599.

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

TOWN OF NORTON, MASSACHUSETTS
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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.

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

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.

The allowance for uncollectibles for the sewer and water betterments is based upon historical trends and specific account analysis. The septic Title V betterments 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.

TOWN OF NORTON, MASSACHUSETTS
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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 the 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) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

<u>Capital Asset Type</u>	<u>Years</u>
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.

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

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recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

J. Net Assets and Fund Equity

Net assets are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

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

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

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

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balances represent tentative management plans that are subject to change. Fund balances have been "reserved for" the following:

"Encumbrances and continuing appropriations" represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

"Designated for subsequent years' expenditures" represents the amount of fund balance appropriated to be used for expenditures in the subsequent year's budget. The Town includes the following in the reserve:

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Major Funds:

General Fund:

Undesignated Fund Balance:			
(Free Cash)	\$	552,499	
(Overlay Surplus)		<u>150,000</u>	\$ 702,499
			100,000

Cyrus Hicks Fund

Nonmajor Governmental Fund:

Capital Improvement Fund	\$	113,200	
Ambulance Fund		493,665	
Septic Repair Program		72,013	
Dog Fund		5,000	
Wetlands Protection Fees Fund		<u>8,000</u>	691,878
			<u>\$ 1,494,377</u>

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% or 80% share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ending June 30, 2009, the expense/expenditure totaled approximately \$1,266,573. There were approximately 269 participants eligible to received benefits at June 30, 2009.

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

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expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

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 . . ."

**TOWN OF NORTON, MASSACHUSETTS
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For fiscal year 2009, the Town incurred a final budget deficit of \$2,364,040 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	342,132
Prior years reserved for encumbrance	1,946,908
	<u>\$ 2,364,040</u>

B. Deficit Fund Equity

The following funds had deficits at June 30, 2009 as measured by the balances of unreserved fund balance.

- The septic management loan program special revenue fund has a deficit of \$291,026. The deficit will be eliminated upon the issuance of Massachusetts Water Pollution Abatement Trust debt.
- The Henri Yelle school repairs fund has a deficit of \$150,000. The deficit will be eliminated upon the issuance of debt.
- The Middle school repairs fund has a deficit of \$650,430. The deficit will be eliminated upon the 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, 2009 were \$15,896,488. Of these none were exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

Investment 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 notes 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

TOWN OF NORTON, MASSACHUSETTS
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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. The town does not have any funds in the MMDT.

As of June 30, 2009, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities:				
U. S. treasury obligations	\$ 216,024	\$ -	\$ 108,110	\$ 107,914
U. S. government agencies	958,907	257,969	382,172	318,766
Municipal bonds	79,325	-	-	79,325
Money market mutual fund	868,450	868,450	-	-
	<u>2,122,706</u>	<u>1,126,419</u>	<u>490,282</u>	<u>506,005</u>
Other Investments:				
Equity securities - domestic	2,438,821			
Equity securities - international	37,858			
MMDT	2,745,672			
	<u>\$ 7,345,057</u>			

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 \$7,345,057 in investments, \$618,450 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, 2009 is as follows:

**TOWN OF NORTON, MASSACHUSETTS
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Related Debt Instruments	Moody's Quality Ratings		
	Fair Value	Aaa	Not Rated
Debt Securities:			
U. S. treasury obligations	\$ 216,024	\$ 216,024	\$ -
U. S. government agencies	958,907	958,907	-
Municipal bonds	79,325	79,325	
Money market mutual fund	868,450	-	868,450
	<u>\$ 2,122,706</u>	<u>\$ 1,254,256</u>	<u>\$ 868,450</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 the Federal Farm Credit Bank amounting to 6.42%.

B. Receivables

At June 30, 2009, 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:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 581,519	\$ (67,741)	\$ 513,778
Deferred property taxes	23,084	-	23,084
Tax liens	749,008	(44,618)	704,390
Taxes in litigation	1,092	-	1,092
Excise taxes	260,389	(43,000)	217,389
User charges	297,890	(500)	297,390
Departmental	459,428	(266,334)	193,094
Special assessments	1,233,531	(4,849)	1,228,682
Due from other governments	11,534,276	-	11,534,276
	<u>\$ 15,140,217</u>	<u>\$ (427,042)</u>	<u>\$ 14,713,175</u>

At June 30, 2009, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Business type activities:			
Water	\$ 720,356	\$ (400)	\$ 719,956

**TOWN OF NORTON, MASSACHUSETTS
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The composition of amounts due from other governments as of June 30, 2009 for governmental funds is as follows:

Governmental Funds:		
General Fund:		
<i>Commonwealth of Massachusetts:</i>		
Department of Veterans Services:		
Veterans benefits	\$	138,757
<i>Commonwealth of Massachusetts:</i>		
School Building Assistance:		
Capital Portion	<u>10,692,105</u>	\$ 10,830,862
Nonmajor Governmental Funds:		
<i>U. S. Department of Agriculture:</i>		
School Lunch	\$	13,634
<i>U. S. Department of Education:</i>		
School Title Grants		171,571
<i>U. S. Department of Transportation:</i>		
Traffic Enforcement		3,805
<i>Commonwealth of Massachusetts:</i>		
Massachusetts Department of Elementary and and Secondary Education:		
School Lunch		2,061
Special Education Reimbursement		206,561
Massachusetts Highway Department:		
Chapter 90 funded projects	<u>305,782</u>	<u>703,414</u>
	<u>\$</u>	<u>11,534,276</u>

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.

The balance of the general fund deferred revenues account is equal to all of June 30, 2009 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 \$467,528.

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

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General Fund:

Deferred property taxes	\$	23,084	
Tax liens		704,390	
Taxes in litigation		1,092	
Excise taxes		217,389	
User charges		297,390	
Special assessments		714,438	
Due from other governments		<u>10,830,862</u>	\$ 12,788,645

Nonmajor Governmental Funds:

Departmental	\$	97,586	
Special assessments		514,244	
Due from other governments		<u>305,782</u>	917,612
			<u>\$ 13,706,257</u>

C. Capital Assets

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 6,803,755	\$ 229,898	\$ -	\$ 7,033,653
Total capital assets not being depreciated	<u>6,803,755</u>	<u>229,898</u>	<u>-</u>	<u>7,033,653</u>
Capital assets being depreciated:				
Buildings and Renovations	41,098,221	337,196	-	41,435,417
Machinery, equipment and other	4,514,301	509,462	-	5,023,763
Infrastructure	14,721,065	300,825	-	15,021,890
Total capital assets being depreciated	<u>60,333,587</u>	<u>1,147,483</u>	<u>-</u>	<u>61,481,070</u>
Less accumulated depreciation for:				
Buildings and Renovations	18,967,162	1,176,941	-	20,144,103
Machinery, equipment and other	3,541,156	357,750	-	3,898,906
Infrastructure	3,603,331	482,833	-	4,086,164
Total accumulated depreciation	<u>26,111,649</u>	<u>2,017,524</u>	<u>-</u>	<u>28,129,173</u>
Total capital assets being depreciated, net	<u>34,221,938</u>	<u>(870,041)</u>	<u>-</u>	<u>33,351,897</u>
Total governmental activities capital assets, net	<u>\$ 41,025,693</u>	<u>\$ (640,143)</u>	<u>\$ -</u>	<u>\$ 40,385,550</u>

TOWN OF NORTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 334,926	\$ -	\$ -	\$ 334,926
Construction in progress	-	4,888,780	-	4,888,780
Total capital assets not being depreciated	334,926	4,888,780	-	5,223,706
Capital assets being depreciated:				
Buildings and improvements	64,864	-	-	64,864
Machinery, equipment and other	916,384	62,076	-	978,460
Infrastructure	13,321,027	-	-	13,321,027
Total capital assets being depreciated	14,302,275	62,076	-	14,364,351
Less accumulated depreciation for:				
Buildings and improvements	4,210	4,324	-	8,534
Machinery, equipment and other	490,419	83,740	-	574,159
Infrastructure	2,709,819	330,466	-	3,040,285
Total accumulated depreciation	3,204,448	418,530	-	3,622,978
Total capital assets being depreciated, net	11,097,827	(356,454)	-	10,741,373
Total business-type activities capital assets, net	\$ 11,432,753	\$ 4,532,326	\$ -	\$ 15,965,079

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

Governmental Activities:

General government	\$ 23,462
Public safety	320,851
Public works	535,775
Education	1,034,656
Health and human services	46,060
Culture and recreation	56,720
Total depreciation expense - governmental activities	<u>\$ 2,017,524</u>

Business-Type Activities:

Water fund	\$ 418,530
Total depreciation expense - business-type activities	<u>\$ 418,530</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2009, are summarized as follows:

**TOWN OF NORTON, MASSACHUSETTS
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Transfers Out:	Transfers In:		
	General fund	Nonmajor governmental funds	Total
General fund	\$ 11,840	\$ 41,993	\$ 53,833
Stabilization fund	37,250	-	37,250
Cyrus Hicks fund	120,000	53,000	173,000
Nonmajor governmental funds	755,094	-	755,094
Water business type fund	188,160	-	188,160
Total transfers out	<u>\$ 1,112,344</u>	<u>\$ 94,993</u>	<u>\$ 1,207,337</u>

E. Leases

The Town has entered into lease agreements as lessee for financing the acquisition of a fire truck, an ambulance and a highway tractor. 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 acquired through the capital leases are as follows:

Asset:	Governmental Activities
Machinery, equipment and other	\$ 745,210
Less: Accumulated Depreciation	(227,464)
Total	<u>\$ 517,746</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, are as follows:

Year Ending June 30,	Governmental Activities
2010	\$ 98,779
2011	31,114
2012	31,114
2013	31,115
Total minimum lease payments	\$ 192,122
Less: amount representing interest	(16,196)
Present value of minimum lease payments	<u>\$ 175,926</u>

**TOWN OF NORTON, MASSACHUSETTS
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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:

Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2008	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2009
Governmental Activities:						
<i>Massachusetts Water Pollution Abatement Trust:</i>						
Community Septic Program	0.00%	09/15/09	\$ 200,000	-	-	\$ 200,000
School repairs	3.89%	08/01/08	885,060	-	885,060	-
Community Septic Program	0.00%	07/01/10	51,502	75,000	-	126,502
School repairs	2.35%	07/31/09	-	885,060	-	885,060
			<u>\$ 1,136,562</u>	<u>\$ 960,060</u>	<u>\$ 885,060</u>	<u>\$ 1,211,562</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:

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	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2009
Inside Debt:					
Police Station	4.69%	10/01/98	10/01/18	\$ 2,425,000	\$ 1,200,000
Land Acquisition - School	4.67%	10/01/98	10/01/16	\$ 1,400,000	600,000
Sewer Bonds	5.11%	11/15/00	11/15/20	\$ 210,000	120,000
Land Acquisition - Slattery Property	3.66%	11/01/04	11/01/22	\$ 400,000	300,000
School Building Renovations	3.75%	11/01/04	11/01/23	\$ 2,100,000	1,650,000
Land Acquisition	3.96%	10/01/07	10/01/22	\$ 500,000	465,000
Sewer Project	4.04%	10/01/07	10/01/17	\$ 350,000	315,000
Massachusetts Water Pollution Abatement Trust:					
Lake Winnecunnet Sewer		11/26/02	08/01/22	\$ 2,375,687	1,784,967
Total Inside Debt					<u>\$ 6,434,967</u>
Outside Debt:					
Middle School	4.69%	10/01/98	10/01/18	\$ 21,800,000	10,900,000
Massachusetts Water Pollution Abatement Trust:					
Title V Septic Loans - Round 1	0.00%	04/29/99	02/01/17	\$ 199,807	88,803
Title V Septic Loans - Round 2	0.00%	07/24/03	02/01/21	\$ 195,089	129,975
Title V Septic Loans - Round 3	0.00%	08/01/04	08/01/23	\$ 236,799	185,984
Title V Septic Loans - Round 4	0.00%	12/14/06	07/15/26	\$ 146,244	131,620
Title V Septic Loans - Round 5	0.00%	11/15/06	08/01/24	\$ 184,207	163,690
Water Resource Management	0.00%	11/26/02	08/01/22	\$ 334,237	251,205
Total Outside Debt					<u>\$ 11,851,277</u>
Total Governmental Type Debt					<u>\$ 18,286,244</u>

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

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2009
Outside Debt:					
Water fund:					
Water Storage Facility	5.10%	11/15/00	11/15/20	\$ 2,200,000	\$ 1,320,000
Water Mains	3.99%	10/01/07	10/01/27	\$ 3,300,000	3,135,000
New Water Tank	3.99%	10/01/07	10/01/27	\$ 1,700,000	1,615,000
Water Mains	4.02%	08/01/08	08/01/28	\$ 3,000,000	3,000,000
Water Mains	4.02%	08/01/08	08/01/28	\$ 5,000,000	5,000,000
Total Business-type Debt					<u>\$ 14,070,000</u>

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2009 are as follows:

**TOWN OF NORTON, MASSACHUSETTS
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June 30, 2009**

Governmental Type Activities

Year	Principal	Interest	Total
2010	\$ 1,670,521	\$ 823,463	\$ 2,493,984
2011	1,673,899	752,353	2,426,252
2012	1,677,837	676,265	2,354,102
2013	1,681,680	597,249	2,278,929
2014	1,682,063	507,071	2,189,134
2015-2019	8,264,173	1,303,347	9,567,520
2020-2024	1,604,248	149,768	1,754,016
2025-2027	31,823	247	32,070
	<u>\$ 18,286,244</u>	<u>\$ 4,809,763</u>	<u>\$ 23,096,007</u>

Business-Type Activities

Year	Principal	Interest	Total
2010	\$ 760,000	\$ 555,519	\$ 1,315,519
2011	760,000	527,156	1,287,156
2012	760,000	499,294	1,259,294
2013	760,000	471,417	1,231,417
2014	760,000	443,129	1,203,129
2015-2019	3,800,000	1,742,600	5,542,600
2020-2024	3,470,000	969,400	4,439,400
2025-2029	3,000,000	294,950	3,294,950
	<u>\$ 14,070,000</u>	<u>\$ 5,503,465</u>	<u>\$ 19,573,465</u>

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

**TOWN OF NORTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amounts Due within One Year
Governmental activities:					
Bond Payable:					
General obligation bonds	\$ 17,055,000	\$ -	\$ 1,505,000	\$ 15,550,000	\$ 1,500,000
Massachusetts Water Pollution Abatement Trust	2,903,830	-	167,586	2,736,244	170,521
Leases Payable	210,905	142,738	177,717	175,926	90,394
Compensated Absences	1,972,203	95,796	338,579	1,729,420	650,070
OPEB Obligation Payable	-	4,592,376	-	4,592,376	-
Governmental activity Long-term liabilities	<u>\$ 22,141,938</u>	<u>\$ 4,830,910</u>	<u>\$ 2,188,882</u>	<u>\$ 24,783,966</u>	<u>\$ 2,410,985</u>
Business type activities:					
Bond Payable:					
General obligation bonds	\$ 6,430,000	\$ 8,000,000	\$ 360,000	14,070,000	\$ 760,000
Compensated absences	73,286	44,819	-	118,105	46,347
Business-type activity long term Long-term liabilities	<u>\$ 6,503,286</u>	<u>\$ 8,044,819</u>	<u>\$ 360,000</u>	<u>\$ 14,188,105</u>	<u>\$ 806,347</u>

*

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, 2009 totaled \$6,434,967.

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."

The following is a computation of the legal debt limit as of June 30, 2009

Equalized Valuation-Real Estate and Personal Property (2008)		\$ 2,488,600,800
Debt Limit: 5 % of Equalized value		<u>\$ 124,430,040</u>
Total Debt Outstanding	\$ 32,356,244	
Less: Debt Outside Debt Limit	<u>(25,921,277)</u>	<u>6,434,967</u>
Inside Debt Excess Borrowing Capacity at June 30, 2009		<u>\$ 117,995,073</u>

TOWN OF NORTON, MASSACHUSETTS
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Massachusetts Water Pollution Abatement Trust (MWPAT)

The Town has borrowed funds from the MWPAT Bond Resolution (Pool Loan Program). Under this program the borrower shall receive, as a credit against the loan repayment then due on this bond, the loan subsidy amounts (earnings on the equity of the trust).

The Town currently has seven loans as long term debt. The description of the long term debt is as follows:

- a gross obligation of \$301,113 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$101,306 resulting in a net loan repayment of \$199,807
- a gross obligation of \$3,663,719 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$1,468,751 resulting in a net loan repayment of \$2,194,968
- a gross obligation of \$515,251 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$206,570 resulting in a net loan repayment of \$308,681
- a gross obligation of \$283,973 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$88,884 resulting in a net loan repayment of \$195,089
- a gross obligation of \$358,750 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$121,951 resulting in a net loan repayment of \$236,799
- a gross obligation of \$146,244 representing the gross principal resulting in a loan repayment of \$146,244
- a gross obligation of \$269,286 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$85,079 resulting in a net loan repayment of \$184,207

The following is a summary of the activity of the Water Pollution Abatement Project Bond Resolution:

**TOWN OF NORTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

No. 97-1020

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	\$ 199,807	\$ 101,306	\$ 301,113	\$ 101,306	\$ 199,807
Repayments:					
Fiscal year 2000	11,101	8,007	19,108	8,007	11,101
Fiscal year 2001	11,101	10,098	21,199	10,098	11,101
Fiscal year 2002	11,100	9,588	20,688	9,588	11,100
Fiscal year 2003	11,100	9,061	20,161	9,061	11,100
Fiscal year 2004	11,100	8,528	19,628	8,528	11,100
Fiscal year 2005	11,100	7,973	19,073	7,973	11,100
Fiscal year 2006	11,101	7,418	18,519	7,418	11,101
Fiscal year 2007	11,100	6,752	17,852	6,752	11,100
Fiscal year 2008	11,101	6,086	17,187	6,086	11,101
Fiscal year 2009	11,100	5,503	16,603	5,503	11,100
	<u>\$ 88,803</u>	<u>\$ 22,292</u>	<u>\$ 111,095</u>	<u>\$ 22,292</u>	<u>\$ 88,803</u>

No. CW-00-47

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	\$ 2,375,678	\$ 1,288,041	\$ 3,663,719	\$ 1,468,751	\$ 2,194,968
Restructuring	-	(61,561)	(61,561)	(29,283)	(32,278)
Repayments:					
Fiscal Year 2003	-	19,605	19,605	9,337	10,268
Fiscal Year 2004	95,991	107,143	203,134	95,345	107,789
Fiscal Year 2005	96,888	101,112	198,000	93,191	104,809
Fiscal Year 2006	97,855	99,991	197,846	90,489	107,357
Fiscal Year 2007	98,832	97,040	195,872	88,365	107,507
Fiscal Year 2008	99,819	94,060	193,879	86,219	107,660
Fiscal Year 2009	101,326	90,887	192,213	84,222	107,991
	<u>\$ 1,784,967</u>	<u>\$ 616,642</u>	<u>\$ 2,401,609</u>	<u>\$ 892,300</u>	<u>\$ 1,509,309</u>

No. CW-01-35

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	\$ 334,237	\$ 181,014	\$ 515,251	\$ 206,570	\$ 308,681
Repayments:					
Fiscal Year 2003	-	2,757	2,757	1,375	1,382
Fiscal Year 2004	13,489	15,066	28,555	13,413	15,142
Fiscal Year 2005	13,616	14,151	27,767	13,049	14,718
Fiscal Year 2006	13,754	14,058	27,812	12,729	15,083
Fiscal Year 2007	13,893	13,644	27,537	12,431	15,106
Fiscal Year 2008	14,033	13,225	27,258	12,129	15,129
Fiscal Year 2009	14,247	12,779	27,026	11,848	15,178
	<u>\$ 251,205</u>	<u>\$ 95,334</u>	<u>\$ 346,539</u>	<u>\$ 129,596</u>	<u>\$ 216,943</u>

TOWN OF NORTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

No. 97-1020-1

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	\$ 195,089	\$ 88,884	\$ 283,973	\$ 88,884	\$ 195,089
Repayments:					
Fiscal Year 2004	10,852	4,663	15,515	4,663	10,852
Fiscal Year 2005	10,853	8,967	19,820	8,967	10,853
Fiscal Year 2006	10,852	8,587	19,439	8,587	10,852
Fiscal Year 2007	10,852	8,153	19,005	8,153	10,852
Fiscal Year 2008	10,852	7,719	18,571	7,719	10,852
Fiscal Year 2009	10,853	7,285	18,138	7,285	10,853
	<u>\$ 129,975</u>	<u>\$ 43,510</u>	<u>\$ 173,485</u>	<u>\$ 43,510</u>	<u>\$ 129,975</u>

No. 97-1020-2

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	\$ 236,799	\$ 121,951	\$ 358,750	\$ 121,951	\$ 236,799
Repayments:					
Fiscal Year 2005	-	10,622	10,622	10,622	-
Fiscal Year 2006	13,348	10,622	23,970	10,622	13,348
Fiscal Year 2007	12,489	10,310	22,799	10,310	12,489
Fiscal Year 2008	12,489	9,873	22,362	9,873	12,489
Fiscal Year 2009	12,489	9,604	22,093	9,604	12,489
	<u>\$ 185,984</u>	<u>\$ 70,920</u>	<u>\$ 256,904</u>	<u>\$ 70,920</u>	<u>\$ 185,984</u>

No. 97-1020-B1

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	\$ 146,244	\$ -	\$ 146,244	\$ -	\$ 146,244
Repayments:					
Fiscal Year 2008	7,312	-	7,312	-	7,312
Fiscal Year 2009	7,312	-	7,312	-	7,312
	<u>\$ 131,620</u>	<u>\$ -</u>	<u>\$ 131,620</u>	<u>\$ -</u>	<u>\$ 131,620</u>

No. 97-1020-3

	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	\$ 184,207	\$ 85,079	\$ 269,286	\$ 85,079	\$ 184,207
Repayments:					
Fiscal Year 2007	-	2,579	2,579	2,579	-
Fiscal Year 2008	10,258	8,672	18,930	8,672	10,258
Fiscal Year 2009	10,259	8,262	18,521	8,262	10,259
	<u>\$ 163,690</u>	<u>\$ 65,566</u>	<u>\$ 229,256</u>	<u>\$ 65,566</u>	<u>\$ 163,690</u>

**TOWN OF NORTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

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, 2009 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	1,000,000
05/14/07	Reconstruction/repairs to Henri Yelle Elementary School Building	150,000
05/23/07	Reconstruction/repairs to Norton Middle School Building	735,060
		<u>\$ 1,885,060</u>

H. 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 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, 2009, \$903,755 has been set aside in a stabilization fund, which is classified as a major fund in the governmental funds financial statements.

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

**TOWN OF NORTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

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. Town Meeting – Fiscal Year 2010

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, 2009 do not reflect the fiscal year 2010 Town Meeting action, with the exception of Unreserved Fund Balance-Designated for Subsequent Years' Expenditures as disclosed below. The Annual Town Meeting on June 8, 2009 authorized a fiscal year 2010 operating and capital budget as follows:

From the tax levy	\$	47,259,873	
From water user fees		218,000	
From Other Available Funds: (Designated for Subsequent Years' Expenditures)			
General Fund:			
Undesignated Fund Balance:			
(Free Cash)	\$	552,499	
(Overlay Surplus)		150,000	702,499
Major Fund:			
Cyrus Hicks Fund			100,000
Nonmajor Governmental Fund:			
Capital Improvement Fund		113,200	
Ambulance Fund		493,665	
Septic Repair Program		72,013	
Dog Fund		5,000	
Wetlands Protection Fees Fund		8,000	691,878
			\$ 48,972,250

C. Contingent Liabilities

Litigation

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, 2009, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2009.

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

**TOWN OF NORTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

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.

D. 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 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, Master Medical Carve Out and Medex 3.

-An employee shall become eligible to retire under this plan upon meeting one of the following conditions:

1. Completion of 20 years of service.
2. For an employee hired prior to January 1, 1978 – attainment of age 55 as an active member.
3. For an employee hired on or after January 1, 1978 – attainment of age 55 as an active member and completion of 10 years of service.

-Employees will pay 25% of premiums in retirement.

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 2009 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$1,266,573.

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)

**TOWN OF NORTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

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	\$ 3,476,993
Interest on net OPEB obligation	182,542
Adjustment to annual required contribution	(224,297)
Annual OPEB cost (expense)	3,435,238
Contributions made during the fiscal year	1,266,573
Increase in net OPEB obligation	2,168,665
Net OPEB Obligation - beginning of year	2,423,711
Net OPEB Obligation - end of year	\$ 4,592,376

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2009 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/07	N/A	N/A	N/A
06/30/08	\$ 3,592,045	32.5%	\$ 2,423,711
06/30/09	3,435,238	36.9%	4,592,376

Funded Status and Funding Process

As of July 1, 2008, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$36,365,000 and the actuarial value of assets was \$0.0 million, resulting in a total unfunded actuarial accrued liability (UAAL) of \$36,365,000. The covered payroll (annual payroll of active employees covered by the plan) was \$23,342,000, and the ratio of the UAAL to the covered payroll was 155.8%.

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.

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-

**TOWN OF NORTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

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 5.25 percent rate of return on invested assets. The actuarial assumptions also include an expected payroll growth of 4.50% per annum, a general inflation of 3.50% per annum and healthcare trend rates as follows:

Year	Medical	Dental
FY 2008	11.0%	8.5%
FY 2009	8.5%	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, 2008 is 29 years.

E. 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 \$3,976,342 for the fiscal year ending June 30, 2009, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

The Town has 250 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

TOWN OF NORTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

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, 2009, 2008 and 2007 is shown below, which equaled its required contribution for each fiscal year.

Fiscal Year Ended June 30	Town's Contribution
2009	\$ 1,914,390
2008	1,872,715
2007	1,599,937

The last actuarial valuation was prepared by Buck Consultants, LLC as of January 1, 2007. 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 8.5% compounded annually, (b) projected salary, including longevity, increases of 4.5% per year per member.

The unfunded actuarial liability for the entire system is \$203,061,051. The Town's portion of such liability is approximately 7.05% or \$14,315,804.

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.

TOWN OF NORTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

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, 2009**

	Fund Balances July 1, 2008	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2009
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 35,815	\$ 2,570,801	\$ 2,530,548	\$ (1)	\$ 76,067
Arts Lottery Council Grant	14,293	6,360	6,384	-	14,269
Council on Aging Grants	2,599	9,855	2,410	-	10,044
Highway Grants	216,870	301,831	373,589	-	145,112
Other Grants	11,755	4,752	7,477	-	9,030
Public Safety Grants	10,780	63,372	41,659	-	32,493
Schools:					
School Lunch Program	77,046	779,610	771,396	-	85,260
School Lunch Commodities	-	46,696	46,696	-	-
Revolving Accounts	279,994	759,440	737,959	-	301,475
State Special Education Reimbursement	68,636	826,244	875,143	-	19,737
Other:					
Ambulance Fund	577,913	508,916	-	(457,886)	628,943
Board of Health Mini-Grant	2,256	580	327	-	2,509
Bristol County Homeland Security Grants	3,630	-	-	-	3,630
Compost Bin Recycling Bin Revolving	-	2,805	2,713	-	92
Conservation Outside Consultant Fees	5,874	4,500	2,481	-	7,893
Dog Fund	59,785	14,997	-	(9,200)	65,582
Education and Public Access Cable	17,009	-	17,009	-	-
Gifts and Donations	362,539	128,899	184,608	53,000	359,830
Hazardous Materials Revolving	1,918	3,432	1,941	-	3,409
Insurance Reimbursement	3,080	23,736	19,702	(1,410)	5,704
Law Enforcement Fund	4,273	60,806	3,391	-	61,688
Parks and Recreation Revolving	1,291	3	624	-	670
Planning Board Review Fund	41,269	9,843	10,729	-	40,383
Police Restitution	-	1,894	1,419	-	475
Premium on Sale of Bonds	-	11,384	11,384	-	-
Public Safety Outside Detail Funds	-	891,388	891,388	-	-
Recycling Revolving	16,720	4,372	1,779	-	19,313
Total Special Revenue	\$ 1,815,345	\$ 7,036,516	\$ 6,542,756	\$ (415,497)	\$ 1,893,608

**TOWN OF NORTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	Fund Balances July 1, 2008	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2009
Continued from Page 56.	\$ 1,815,345	\$ 7,036,516	\$ 6,542,756	\$ (415,497)	\$ 1,893,608
Other (continued):					
Septic Management Loan Program	(207,685)	-	83,341	-	(291,026)
Septic Loan Repayments	579,730	122,496	-	(52,012)	650,214
Wetlands Protection Fund	37,604	10,391	26,192	(8,000)	13,803
Zoning Board of Appeals Outside Consultant Fees	9,702	40	-	-	9,742
Capital Improvement Trust Fund	743,647	7,972	-	(184,592)	567,027
Conservation Fund	2,823	15	29	-	2,809
Sale of Pines Fund	18,280	101	-	-	18,381
War Memorial Fund	458	3	-	-	461
Total Special Revenue Funds	2,999,904	7,177,534	6,652,318	(660,101)	2,865,019
Capital Projects:					
Henri Yelle School Repairs	(150,000)	-	-	-	(150,000)
Land Purchase	9,945	-	-	-	9,945
Middle School Repairs	(650,430)	-	-	-	(650,430)
New Middle School	19,706	-	9,650	-	10,056
Sewer Projects:					
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	26,514	-	6,500	-	20,014
Sewerage Capital and Upgrade	61,539	-	-	-	61,539
Total Capital Projects	(652,781)	-	16,150	-	(668,931)
Perpetual Permanent Funds:					
Cemetery Perpetual Care Fund	218,800	4,000	-	-	222,800
Library Fund	2,000	81	81	-	2,000
Wetherell Athletic Fund	10,000	-	-	-	10,000
Total Perpetual Permanent Funds	230,800	4,081	81	-	234,800
Total Page 57	\$ 2,577,923	\$ 7,181,615	\$ 6,668,549	\$ (660,101)	\$ 2,430,888

TOWN OF NORTON, MASSACHUSETTS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

	Fund Balances July 1, 2008	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2009
Continued from Page 57	\$ 2,577,923	\$ 7,181,615	\$ 6,668,549	\$ (660,101)	\$ 2,430,888
Permanent Funds:					
Cemetery Perpetual Care Fund	90,272	1,459	515	-	91,216
Wetherell Athletic Fund	100	55	-	-	155
Total Permanent Funds	90,372	1,514	515	-	91,371
Total - Non-Major Governmental Funds	\$ 2,668,295	\$ 7,183,129	\$ 6,669,064	\$ (660,101)	\$ 2,522,259

**TOWN OF NORTON, MASSACHUSETTS
 SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND
 ROLLBACK TAXES AND DEFERRED PROPERTY TAXES
 JULY 1, 2008 TO JUNE 30, 2009**

	Uncollected Taxes July 1, 2008	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2009	Uncollected Taxes Per Detail June 30, 2009
Real Estate Taxes:						
Levy of 2009	\$ -	\$ 23,871,312	\$ 413,194	\$ 23,038,820	\$ 419,298	\$ 419,299
Levy of 2008	385,080	-	104,268	280,329	483	483
Levy of 2007	(9,554)	-	-	(9,722)	168	168
Levy of 2006	(4,691)	-	576	(6,741)	1,474	1,474
Levy of 2005	(227)	-	-	(227)	-	-
Prior Years	55,583	-	-	(1,981)	57,564	57,564
	<u>426,191</u>	<u>23,871,312</u>	<u>518,038</u>	<u>23,300,478</u>	<u>478,987</u>	<u>478,988</u>
Personal Property Taxes:						
Levy of 2009	-	629,293	9,087	598,177	22,029	22,029
Levy of 2008	10,924	-	-	284	10,640	10,640
Levy of 2007	9,353	-	-	(54)	9,407	9,407
Levy of 2006	5,215	-	-	(2,105)	7,320	7,320
Levy of 2005	12,890	-	-	(2,505)	15,395	15,395
Prior Years	79,426	-	42,843	(1,158)	37,741	37,741
	<u>117,808</u>	<u>629,293</u>	<u>51,930</u>	<u>592,639</u>	<u>102,532</u>	<u>102,532</u>
Rollback Taxes	-	-	-	-	-	-
Total Real Estate, Personal Property and Rollback Taxes	<u>\$ 543,999</u>	<u>\$ 24,500,605</u>	<u>\$ 569,968</u>	<u>\$ 23,893,117</u>	<u>\$ 581,519</u>	<u>\$ 581,520</u>
Deferred Property Taxes	<u>\$ 25,133</u>	<u>\$ -</u>	<u>\$ 1,618</u>	<u>\$ 431</u>	<u>\$ 23,084</u>	<u>\$ 23,084</u>

**TOWN OF NORTON, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2008 TO JUNE 30, 2009**

	Uncollected Taxes July 1, 2008	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2009	Uncollected Taxes Per Detail June 30, 2009
Motor Vehicle Excise Taxes:						
Levy of 2009	\$ -	\$ 1,766,933	\$ 28,011	\$ 1,614,720	\$ 124,202	\$ 124,202
Levy of 2008	142,915	233,273	15,335	322,450	38,403	38,403
Levy of 2007	48,098	3,268	1,683	26,143	23,540	23,470
Levy of 2006	27,331	-	475	6,103	20,753	20,763
Levy of 2005	17,572	-	-	1,585	15,987	15,987
Prior Years	124,845	-	84,531	2,810	37,504	37,504
Total Motor Vehicle Excise Taxes	\$ 360,761	\$ 2,003,474	\$ 130,035	\$ 1,973,811	\$ 260,389	\$ 260,329

TOWN OF NORTON, MASSACHUSETTS
 SCHEDULE OF TAX LIENS AND TAXES IN LITIGATION
 JULY 1, 2008 TO JUNE 30, 2009

	Uncollected Accounts July 1, 2008	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2009	Uncollected Accounts Per Detail June 30, 2009
Tax Liens	\$ 799,108	\$ 385,891	\$ 229,898	\$ 206,093	\$ 749,008	\$ 698,888
Taxes in Litigation	\$ 1,092	-	-	-	1,092	1,092