

**TOWN OF NORTON, MASSACHUSETTS**

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

**FISCAL YEAR ENDED JUNE 30, 2010**

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## Independent Auditor's Report

To the Honorable Board of Selectmen  
Town of Norton, Massachusetts

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2011, on our consideration of the Town of Norton, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, appearing on pages 3 through 10, be presented to supplement the basic financial statements. Such information, although not a part of the

basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Scanlon & Associates, LLC*

Scanlon & Associates, LLC

January 5, 2011

## **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, 2010.

### Financial Highlights

- The Town's assets exceeded its liabilities by \$49,174,549 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$49,867,026 or a decrease of \$692,477.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$35,946,510 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 \$10,944,935 are restricted by constraints imposed from outside the Town such as grantors, laws or regulations.
  - (3) Unrestricted net assets of \$2,283,104 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 \$12,344,376 this year. This compares to the prior year ending fund balance of \$11,259,031 showing an increase of \$1,085,345 during the current year.
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$1,490,634, or 2.88% of total General Fund expenditures including transfers and 2.86% of total General Fund revenues including transfers.
- Total liabilities of the Town decreased by \$1,335,597 to \$42,288,791 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 including sewer, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activity includes the water.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

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

**Proprietary funds.** The Town maintains one type of proprietary fund.

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

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

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

## Financial Highlights

### Statement of Net Assets Highlights

	Governmental Activities		
	2010	2009	Change
<b>Assets:</b>			
Current assets	\$ 18,950,437	\$ 18,194,701	\$ 755,736
Noncurrent assets (excluding capital assets)	9,896,727	10,903,985	(1,007,258)
Capital assets	39,504,094	40,385,550	(881,456)
<b>Total assets</b>	<b>68,351,258</b>	<b>69,484,236</b>	<b>(1,132,978)</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt and leases)	3,440,396	3,353,218	87,178
Noncurrent liabilities (excluding debt and leases)	7,478,432	5,671,726	1,806,706
Current debt including leases	2,681,831	2,972,477	(290,646)
Noncurrent debt including leases	15,000,091	16,701,255	(1,701,164)
<b>Total liabilities</b>	<b>28,600,750</b>	<b>28,698,676</b>	<b>(97,926)</b>
<b>Net Assets:</b>			
Capital assets net of related debt	32,679,409	32,430,497	248,912
Restricted	7,034,700	6,930,687	104,013
Unrestricted	36,399	1,424,376	(1,387,977)
<b>Total net assets</b>	<b>39,750,508</b>	<b>40,785,560</b>	<b>(1,035,052)</b>

	Business-Type Activities		
	2010	2009	Change
<b>Assets:</b>			
Current assets	\$ 6,534,981	\$ 8,042,099	\$ (1,507,118)
Capital assets	16,577,101	15,965,079	612,022
<b>Total assets</b>	<b>23,112,082</b>	<b>24,007,178</b>	<b>(895,096)</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	294,761	783,954	(489,193)
Noncurrent liabilities (excluding debt)	83,280	71,758	11,522
Current debt	760,000	760,000	-
Noncurrent debt	12,550,000	13,310,000	(760,000)
<b>Total liabilities</b>	<b>13,688,041</b>	<b>14,925,712</b>	<b>(1,237,671)</b>
<b>Net Assets:</b>			
Capital assets net of related debt	3,267,101	1,895,079	1,372,022
Restricted	3,910,235	5,058,722	(1,148,487)
Unrestricted	2,246,705	2,127,665	119,040
<b>Total net assets</b>	<b>9,424,041</b>	<b>9,081,466</b>	<b>342,575</b>

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

	Governmental Activities		
	2010	2009	Change
<b>Program Revenues:</b>			
Charges for services	\$ 4,353,480	\$ 4,267,306	\$ 86,174
Operating grants and contributions	21,469,683	21,372,835	96,848
Capital grants and contributions	495,483	421,407	74,076
<b>General Revenues:</b>			
Property taxes	25,409,677	24,094,502	1,315,175
Motor vehicle excise and other taxes	2,028,196	2,000,683	27,513
Hotel room occupancy taxes	45,195	45,401	(206)
Penalties and interest on taxes	212,704	194,029	18,675
Nonrestricted grants	2,018,447	2,544,598	(526,151)
Unrestricted investment income	658,395	31,021	627,374
Miscellaneous	21,561	10,653	10,908
<b>Total revenues</b>	<b>56,712,821</b>	<b>54,982,435</b>	<b>1,730,386</b>
<b>Expenses:</b>			
General government	1,774,157	1,750,817	23,340
Public safety	6,824,522	6,482,157	342,365
Public works (Including sewer)	2,164,127	2,238,185	(74,058)
Education	27,683,061	28,637,958	(954,897)
Health and human services	578,761	547,097	31,664
Culture and recreation	414,779	421,256	(6,477)
Employee benefits and insurance	15,180,984	14,893,462	287,522
State assessments	2,526,419	2,460,039	66,380
Interest	822,463	896,683	(74,220)
<b>Total expenses</b>	<b>57,969,273</b>	<b>58,327,654</b>	<b>(358,381)</b>
<b>Contributions to permanent funds</b>	<b>3,400</b>	<b>4,000</b>	<b>(600)</b>
<b>Gain on sale of capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfers</b>	<b>218,000</b>	<b>188,160</b>	<b>29,840</b>
<b>Change in net assets</b>	<b>(1,035,052)</b>	<b>(3,153,059)</b>	<b>2,118,007</b>
<b>Net assets - beginning of year</b>	<b>40,785,560</b>	<b>43,938,619</b>	<b>(3,153,059)</b>
<b>Net assets - end of year</b>	<b>\$ 39,750,508</b>	<b>\$ 40,785,560</b>	<b>\$ (1,035,052)</b>

	Business-Type Activities		
	2010	2009	Change
<b>Program Revenues:</b>			
Charges for services	\$ 2,896,473	\$ 2,542,931	\$ 353,542
<b>Total revenues</b>	<b>2,896,473</b>	<b>2,542,931</b>	<b>353,542</b>
<b>Expenses:</b>			
Water	2,335,898	2,490,739	(154,841)
<b>Total expenses</b>	<b>2,335,898</b>	<b>2,490,739</b>	<b>(154,841)</b>
<b>Transfers</b>	<b>(218,000)</b>	<b>(188,160)</b>	<b>(29,840)</b>
<b>Change in net assets</b>	<b>342,575</b>	<b>(135,968)</b>	<b>478,543</b>
<b>Net assets - beginning of year</b>	<b>9,081,466</b>	<b>9,217,434</b>	<b>(135,968)</b>
<b>Net assets - end of year</b>	<b>\$ 9,424,041</b>	<b>\$ 9,081,466</b>	<b>\$ 342,575</b>

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$49,174,549 at the close of FY 2010.

Net assets of \$35,946,510 (73%) 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 \$10,944,935 (22%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$2,283,104 (5%) 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 \$1,035,052 during the current fiscal year, which reflects the general fund's results of operation. This was mainly attributed to expenditures exceeding revenues by \$1,256,452, contributions to permanent funds of \$3,400 and transfers from the water business-type activities of \$218,000.

There was an increase of \$342,575 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 \$218,000 plus current operational revenues and non-operating revenues exceeding the current operational expenses by \$560,575.

### ***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 \$12,344,376. Of this year-end total, \$1,490,634 is the undesignated general fund balance, indicating availability for continuing Town service requirements. Reserved and designated fund balances include \$1,406,754 committed to liquidate encumbrances and carried forward articles remaining from the prior year; \$238,200 in perpetual permanent funds; \$1,434,966 in funds designated for fiscal year 2011, \$8,197,770 in special revenue funds; \$(515,428) in capital projects fund and \$91,480 in permanent funds.

The deficit of \$(515,428) in the capital projects fund includes school repairs that ended fiscal year 2010 with a negative fund balance of \$579,165 due to the fact that interim financing is being accomplished with bond anticipation notes. A total of \$579,165 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 an increase of \$1,085,345 in comparison with the prior year. This increase was mainly due to revenues exceeding expenditures by \$646,080, transfers from the business-type fund in the amount of \$218,000 and proceeds from bonds and notes for \$221,265.

### **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 \$1,490,634, while total fund balance reached \$3,551,378. 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 2.88% of total general fund expenditures including transfers and total fund balance represents 6.85% of that same amount. Unreserved/undesignated fund balance represents 2.86% of total general fund revenues including transfers and total fund balance represents 6.81% of that same amount.

The fund balance of the general fund increased by \$317,746. Of this amount \$608,848 was attributed to the expenditures over revenues, \$708,594 of net transfers from other governmental funds and \$218,000 from the business-type funds.

The *Stabilization Fund* has accumulated a fund balance of \$912,250, or 1.76% of total general fund expenditures including transfers and 1.75% of total general fund revenues including transfers. These funds can be used for general or capital purposes upon Town meeting approval.

The fund balance of the stabilization fund increased by \$8,495. The total increase was attributed to investment income of \$9,495 and transfers out to the general fund for \$1,000. Please refer to Note 3H for additional information.

The *Cyrus Hicks Fund* has accumulated a fund balance of \$4,955,138, or 9.56% of total general fund expenditures including transfers and 9.50% of total general fund revenues including transfers. 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 increased by \$355,753. Of this amount \$507,396 was attributed to investment income, \$46,643 in expenditures and \$105,000 of transfers to the general fund.

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

### **Major Proprietary Fund**

The *Water Fund* is the financing and operations of the Town's water system. The water fund shows an increase of \$342,575 in total operations, the result of operating revenues exceeding operating expenditures of \$1,107,284, interest expense of \$546,709 and transfers to the general fund of \$218,000.

### **General Fund Budgetary Highlights**

The final general fund budget for fiscal year 2010 was \$49,240,341. This was a decrease of \$946,663 over the previous year's final budget.

There was an increase of \$172,872 between the original budget and the final amended budget.

The increase from the original budget is for various operating budgets of \$31,000, snow and ice expenditures of \$73,494, the upgrade/repair of the radio communication for the school department of \$25,772, Medicare employee benefits of \$22,500, the OPEB study for \$11,000, the conservation commission land expense for \$10,500, bills of prior years for \$9,617, reserve fund transfers to gift accounts for \$4,357 and the return of unused appropriations to the funding source for \$6,654.

There are negative variances in property taxes and interest on investments of \$191,895 and \$151,072, respectively. The negative variance in property taxes is the result of a decrease in collections. The negative variance in interest on investments was attributed to a drop in interest rates.

A negative variance of \$67,043 exists in state assessments. This was attributed to expenditures exceeding the amount estimated for the RMV non-renewal surcharge assessment for \$920, the special education assessment for \$1,367, the charter school assessment of \$57,208 and the school choice sending tuition of \$7,549 and an overestimate in county tax for \$1.

Of the \$2,057,616 in under budget expenditures \$1,406,754 has been carried over to fiscal year 2011.

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

**Capital Assets.** The Town's investment in capital assets as of June 30, 2010 amounts to \$56,081,195 consisting of governmental activities capital assets of \$39,504,094 and business-type activities capital assets of \$16,577,101.

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:

- Public safety equipment for \$51,986.
- Police vehicles for \$82,199.
- Solar panel project for \$74,750.
- Fiber network improvements for \$111,120.
- Road improvements/infrastructure for \$662,700.
- Property foreclosures for \$137,191.
- School departmental equipment for \$39,535.

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

- SCADA equipment for \$47,143.
- Water infrastructure improvements \$1,051,491.

**Debt Administration.** The Town's outstanding governmental long-term debt, as of June 30, 2010, totaled \$16,615,723, of which \$9,810,000 is for the middle school project, \$1,540,000 is for school building renovations, \$1,230,000 is for various land acquisitions, \$2,071,070 is for sewer projects, \$1,080,000 is for the police station, \$648,060 is for the Title V septic loan projects, and \$236,593 for the water resource management project.

The business-type funds have outstanding long-term debt as of June 30, 2010 totaling \$13,310,000, of which all relates to water projects.

The Town has bond anticipation notes outstanding in the amount of \$980,667 as of June 30, 2010 of which \$401,502 is for Title V septic loan projects and \$579,165 is for school repairs.

The Town has capital leases for financing the acquisition of an ambulance and a highway tractor. The Town currently owes \$93,343 on the leases including \$85,532 in principal and \$7,811 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, 2010**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and Cash Equivalents	\$ 10,306,778	\$ 5,657,950	\$ 15,964,728
Investments	5,143,201	-	5,143,201
Receivables, net of allowance for uncollectibles:			
Property Taxes	490,003	-	490,003
Deferred Property Taxes	25,624	-	25,624
Tax Liens	839,590	-	839,590
Taxes in Litigation	1,092	-	1,092
Excise Taxes	201,023	-	201,023
User Charges	288,524	877,031	1,165,555
Departmental	98,823	-	98,823
Special Assessments	138,065	-	138,065
Due from Other Governments	1,417,714	-	1,417,714
Total current assets	<u>18,950,437</u>	<u>6,534,981</u>	<u>25,485,418</u>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Special Assessments	1,010,253	-	1,010,253
Due from Other Governments	8,886,474	-	8,886,474
Capital Assets, net of accumulated Depreciation			
Nondepreciable	7,245,594	688,728	7,934,322
Depreciable	32,258,500	15,888,373	48,146,873
Total noncurrent assets	<u>49,400,821</u>	<u>16,577,101</u>	<u>65,977,922</u>
<b>Total Assets</b>	<u><u>68,351,258</u></u>	<u><u>23,112,082</u></u>	<u><u>91,463,340</u></u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants Payable	767,353	38,676	806,029
Accrued Payroll	772,692	30,575	803,267
Payroll Withholdings	811,166	-	811,166
Accrued Interest	220,194	179,160	399,354
Other	133,431	-	133,431
Compensated Absences	735,560	46,350	781,910
Bond Anticipation Notes Payable	980,667	-	980,667
Bonds and Leases Payable	1,701,164	760,000	2,461,164
Total current liabilities	<u>6,122,227</u>	<u>1,054,761</u>	<u>7,176,988</u>
<b>NONCURRENT:</b>			
Compensated Absences	984,995	83,280	1,068,275
OPEB Obligation Payable	6,493,437	-	6,493,437
Bonds and Leases Payable	15,000,091	12,550,000	27,550,091
Total noncurrent liabilities	<u>22,478,523</u>	<u>12,633,280</u>	<u>35,111,803</u>
<b>Total Liabilities</b>	<u><u>28,600,750</u></u>	<u><u>13,688,041</u></u>	<u><u>42,288,791</u></u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, net of related debt	32,679,409	3,267,101	35,946,510
Restricted for:			
Capital Projects	63,737	3,910,235	3,973,972
Federal & State Grants	363,680	-	363,680
Permanent Funds:			
Expendable	91,480	-	91,480
Nonexpendable	238,200	-	238,200
Other Purposes	6,277,603	-	6,277,603
Unrestricted	36,399	2,246,705	2,283,104
<b>Total Net Assets</b>	<u><u>\$ 39,750,508</u></u>	<u><u>\$ 9,424,041</u></u>	<u><u>\$ 49,174,549</u></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, 2010**

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$	1,774,157	\$ 186,026	\$ -	(1,424,768)	-	(1,424,768)
Public Safety		6,824,522	105,774	-	(4,820,662)	-	(4,820,662)
Public Works (including sewer)		2,164,127	40,976	420,483	(845,126)	-	(845,126)
Education		27,683,061	15,918,077	75,000	(10,429,267)	-	(10,429,267)
Health and Human Services		578,761	191,709	-	(217,388)	-	(217,388)
Culture and Recreation		414,779	13,625	-	(397,046)	-	(397,046)
Employee Benefits and Insurance		15,180,984	4,519,049	-	(10,661,935)	-	(10,661,935)
State Assessments		2,526,419	-	-	(2,526,419)	-	(2,526,419)
Interest		822,463	494,447	-	(328,016)	-	(328,016)
<b>Total Governmental Activities</b>		<b>57,969,273</b>	<b>21,469,683</b>	<b>495,483</b>	<b>(31,650,627)</b>	<b>-</b>	<b>(31,650,627)</b>
<b>Business-Type Activities:</b>							
Water		2,335,898	-	-	-	560,575	560,575
<b>Total Primary Government</b>		<b>\$ 60,305,171</b>	<b>\$ 21,469,683</b>	<b>\$ 495,483</b>	<b>(31,650,627)</b>	<b>560,575</b>	<b>(31,090,052)</b>
<b>General Revenues:</b>							
Property Taxes					25,409,677	-	25,409,677
Motor vehicle and other taxes					2,028,196	-	2,028,196
Hotel room occupancy taxes					45,195	-	45,195
Penalties & Interest on taxes					212,704	-	212,704
Grants & Contributions not restricted to specific programs					2,018,447	-	2,018,447
Unrestricted Investment Income					658,395	-	658,395
Miscellaneous					21,561	-	21,561
<b>Contributions to Permanent Funds</b>					3,400	-	3,400
<b>Transfers, net</b>					218,000	(218,000)	-
<b>Total General Revenues, Contributions and Transfers</b>					<b>30,615,575</b>	<b>(218,000)</b>	<b>30,397,575</b>
<b>Change in Net Assets</b>					<b>(1,035,052)</b>	<b>342,575</b>	<b>(692,477)</b>
<b>Net Assets:</b>							
Beginning of year					40,785,560	9,081,466	49,867,026
End of year					\$ 39,750,508	\$ 9,424,041	\$ 49,174,549

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

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

	General Fund	Stabilization Fund	Cyrus Hicks Fund	Nonmajor		Total
				Governmental Funds	Governmental Funds	
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 5,516,801	\$ 912,250	\$ -	\$ 3,877,727	\$ -	\$ 10,306,778
Investments	188,063	-	4,955,138	-	-	5,143,201
Receivables, net of allowance for uncollectibles:						
Property Taxes	490,003	-	-	-	-	490,003
Deferred Property Taxes	25,624	-	-	-	-	25,624
Tax Liens	839,590	-	-	-	-	839,590
Taxes in Litigation	1,092	-	-	-	-	1,092
Excise Taxes	201,023	-	-	-	-	201,023
User Charges	288,524	-	-	-	-	288,524
Departmental	-	-	-	98,823	-	98,823
Special Assessments	636,168	-	-	512,150	-	1,148,318
Due from Other Governments	10,041,931	-	-	262,257	-	10,304,188
<b>Total Assets</b>	<b>\$ 18,228,819</b>	<b>\$ 912,250</b>	<b>\$ 4,955,138</b>	<b>\$ 4,750,957</b>	<b>\$ -</b>	<b>\$ 28,847,164</b>

**LIABILITIES AND FUND BALANCE:**

<b>Liabilities:</b>						
Warrants Payable	\$ 686,050	\$ -	\$ -	\$ 81,303	\$ -	\$ 767,353
Accrued Payroll	668,738	-	-	103,954	-	772,692
Employee Withholdings	811,166	-	-	-	-	811,166
Other	133,431	-	-	-	-	133,431
Deferred Revenue:						
Property Taxes	415,328	-	-	-	-	415,328
Other	11,962,728	-	-	659,423	-	12,622,151
Bond Anticipation Notes Payable	-	-	-	980,667	-	980,667
<b>Total Liabilities</b>	<b>14,677,441</b>	<b>-</b>	<b>-</b>	<b>1,825,347</b>	<b>-</b>	<b>16,502,788</b>

**Fund Balance:**

Reserved For:						
Encumbrances and continuing appropriations	1,406,754	-	-	-	-	1,406,754
Perpetual Permanent Funds	-	-	-	238,200	-	238,200
Unreserved:						
Designated for Subsequent Years' Expenditures	653,990	-	100,000	680,976	-	1,434,966
Undesignated, reported in:						
General Fund	1,490,634	-	-	-	-	1,490,634
Special Revenue	-	912,250	4,855,138	2,430,382	-	8,197,770
Capital Projects	-	-	-	(515,428)	-	(515,428)
Permanent Funds	-	-	-	91,480	-	91,480
<b>Total Fund Balance</b>	<b>3,551,378</b>	<b>912,250</b>	<b>4,955,138</b>	<b>2,925,610</b>	<b>-</b>	<b>12,344,376</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 18,228,819</b>	<b>\$ 912,250</b>	<b>\$ 4,955,138</b>	<b>\$ 4,750,957</b>	<b>\$ -</b>	<b>\$ 28,847,164</b>

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

**TOWN OF NORTON, MASSACHUSETTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund	Stabilization Fund	Cyrus Hicks Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$ 25,324,137	\$ -	\$ -	\$ -	\$ 25,324,137
Intergovernmental	16,969,876	-	-	3,187,785	20,157,661
Excise and Other Taxes	2,089,757	-	-	-	2,089,757
Charges for Services	-	-	-	2,688,251	2,688,251
Licenses, Permits, Fees	1,843,475	-	-	-	1,843,475
Interest on Taxes	212,704	-	-	-	212,704
Investment Income	133,928	9,495	507,396	10,390	661,209
Gifts and Donations	-	-	-	299,839	299,839
Other	-	-	-	71,990	71,990
Intergovernmental - "On-behalf" Payments	4,503,504	-	-	-	4,503,504
<b>Total Revenues</b>	<b>51,077,381</b>	<b>9,495</b>	<b>507,396</b>	<b>6,258,255</b>	<b>57,852,527</b>
<b>Expenditures:</b>					
Current:					
General Government	1,697,632	-	46,643	252,276	1,996,551
Public Safety	5,859,655	-	-	855,106	6,714,761
Public Works (including sewer)	1,559,675	-	-	727,250	2,286,925
Education	23,270,283	-	-	3,481,556	26,751,839
Health and Human Services	448,912	-	-	100,163	549,075
Culture and Recreation	317,495	-	-	40,564	358,059
Employee Benefits and Insurance	13,263,263	-	-	16,660	13,279,923
State Assessments	2,526,419	-	-	-	2,526,419
Debt Service:					
Principal	1,891,786	-	-	-	1,891,786
Interest	851,109	-	-	-	851,109
<b>Total Expenditures</b>	<b>51,686,229</b>	<b>-</b>	<b>46,643</b>	<b>5,473,575</b>	<b>57,206,447</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(608,848)</b>	<b>9,495</b>	<b>460,753</b>	<b>784,680</b>	<b>646,080</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In	1,070,104	-	-	143,510	1,213,614
Operating Transfers Out	(143,510)	(1,000)	(105,000)	(746,104)	(995,614)
Proceeds from Bonds and Notes	-	-	-	221,265	221,265
<b>Total Other Financing Sources (Uses)</b>	<b>926,594</b>	<b>(1,000)</b>	<b>(105,000)</b>	<b>(381,329)</b>	<b>439,265</b>
<b>Net Change in Fund Balances</b>	<b>317,746</b>	<b>8,495</b>	<b>355,753</b>	<b>403,351</b>	<b>1,085,345</b>
<b>Fund Balances, Beginning of Year</b>	<b>3,233,632</b>	<b>903,755</b>	<b>4,599,385</b>	<b>2,522,259</b>	<b>11,259,031</b>
<b>Fund Balances, End of Year</b>	<b>\$ 3,551,378</b>	<b>\$ 912,250</b>	<b>\$ 4,955,138</b>	<b>\$ 2,925,610</b>	<b>\$ 12,344,376</b>

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

**TOWN OF NORTON, MASSACHUSETTS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**Total Fund Balances to the Statement of Net Assets**  
**For the Year Ended June 30, 2010**

<b>Total Governmental Fund Balances</b>		\$	12,344,376
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.			39,504,094
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			13,037,479
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:			
Bonds and Leases Payable	\$	(16,701,255)	
Other Post Employment Benefits Payable		(6,493,437)	
Compensated Absences		<u>(1,720,555)</u>	(24,915,247)
In statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due.			<u>(220,194)</u>
<b>Net Assets of Governmental Activities</b>		<b>\$</b>	<b><u><u>39,750,508</u></u></b>

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, 2010**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>1,085,345</b>
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital Outlay Purchases	\$ 1,159,480	
Depreciation	<u>(2,040,936)</u>	(881,456)
<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>		
		(1,136,306)
<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	\$ 1,982,180	
Proceeds from Bonds and Notes	<u>(221,265)</u>	1,760,915
<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	\$ 8,865	
Net Change in Other Post Employment Benefits	(1,901,061)	
Net Change in Accrued Interest on Long-Term Debt	<u>28,646</u>	(1,863,550)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>(1,035,052)</u></b>

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, 2010**

	Budgeted Amounts		Actual	Amounts Carried Forward to Next year	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis		
<b>Revenues:</b>					
Property Taxes	\$ 25,663,339	\$ 25,377,557	\$ 25,185,662	\$ -	\$ (191,895)
Intergovernmental	16,856,550	16,856,550	16,969,876	-	113,326
Excise and Other Taxes	2,029,141	2,029,141	2,089,757	-	60,616
Licenses, Permits, Fees	1,526,350	1,526,350	1,843,475	-	317,125
Interest on Taxes	194,000	194,000	212,704	-	18,704
Interest on Investments	285,000	285,000	133,928	-	(151,072)
<b>Total Revenues</b>	<b>46,554,380</b>	<b>46,268,598</b>	<b>46,435,402</b>	<b>-</b>	<b>166,804</b>
<b>Expenditures:</b>					
Current:					
General Government	2,217,286	2,158,178	1,697,632	293,994	166,552
Public Safety	5,909,005	5,929,111	5,859,655	22,186	47,270
Public Works (including sewer)	1,916,009	2,009,545	1,559,675	244,893	204,977
Education	24,054,934	24,122,533	23,270,283	795,099	57,151
Health and Human Services	478,130	499,030	448,911	24,141	25,978
Culture and Recreation	329,614	329,614	317,495	10,834	1,285
Employee Benefits and Insurance	9,078,356	9,100,856	8,881,724	15,607	203,525
State Assessments	2,459,376	2,459,376	2,526,419	-	(67,043)
Debt Service:					
Principal	1,879,776	1,879,776	1,869,776	-	10,000
Interest	744,983	752,322	751,155	-	1,167
<b>Total Expenditures</b>	<b>49,067,469</b>	<b>49,240,341</b>	<b>47,182,725</b>	<b>1,406,754</b>	<b>650,862</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(2,513,089)</b>	<b>(2,971,743)</b>	<b>(747,323)</b>	<b>(1,406,754)</b>	<b>817,666</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In (Out)	882,379	898,140	926,594	-	28,454
<b>Total Other Financing Sources (Uses)</b>	<b>882,379</b>	<b>898,140</b>	<b>926,594</b>	<b>-</b>	<b>28,454</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(1,630,710)</b>	<b>(2,073,603)</b>	<b>179,271</b>	<b>(1,406,754)</b>	<b>846,120</b>
<b>Budgetary Fund Balance - Beginning of Year</b>	<b>3,297,432</b>	<b>3,297,432</b>	<b>3,297,432</b>	<b>-</b>	<b>-</b>
<b>Budgetary Fund Balance - End of Year</b>	<b>\$ 1,666,722</b>	<b>\$ 1,223,829</b>	<b>\$ 3,476,703</b>	<b>\$ (1,406,754)</b>	<b>\$ 846,120</b>

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

**TOWN OF NORTON, MASSACHUSETTS**  
**Reconciliation of Revenues and Expenditures**  
**from Budgetary Basis to GAAP Basis**  
**For the Year Ended June 30, 2010**

	<b>Revenues</b>	<b>Expenditures</b>
<b>Reported on a Budgetary Basis</b>	<b>\$ 46,435,402</b>	<b>\$ 47,182,725</b>
Net Increase in Revenue from recording Refund Taxes Payable	110,050	-
Recognition of intergovernmental Revenue - "on behalf payments"	4,503,504	-
Recognition of Expenditures - "on behalf payments"	-	4,503,504
Net Increase in Revenue from Recording 60-Day Receipts	28,425	-
<b>Reported on a GAAP Basis</b>	<b>\$ 51,077,381</b>	<b>\$ 51,686,229</b>

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

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

	<b>Business-Type Activities Enterprise Fund</b>
	<b>Water Fund</b>
<b>ASSETS</b>	
<b>CURRENT:</b>	
Cash and Cash Equivalents	\$ 5,657,950
User Charges, net of allowance for uncollectibles	877,031
Total current assets	6,534,981
<b>NONCURRENT:</b>	
Capital Assets, net of accumulated depreciation:	
Nondepreciable	688,728
Depreciable	15,888,373
Total noncurrent assets	16,577,101
<b>Total Assets</b>	23,112,082
<b>LIABILITIES</b>	
<b>CURRENT:</b>	
Accounts Payable	38,676
Accrued Payroll	30,575
Accrued Interest	179,160
Compensated Absences	46,350
Bonds Payable	760,000
Total current liabilities	1,054,761
<b>NONCURRENT:</b>	
Compensated Absences	83,280
Bonds Payable	12,550,000
Total noncurrent liabilities	12,633,280
<b>Total Liabilities</b>	13,688,041
<b>NET ASSETS:</b>	
Invested in Capital Assets, net of related debt	3,267,101
Restricted for Capital	3,910,235
Unrestricted	2,246,705
<b>Total Net Assets</b>	\$ 9,424,041

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, 2010**

	<b>Business-Type Activities Enterprise Fund</b>
	<b>Water Fund</b>
<b>Operating Revenues:</b>	
Charges for Services	\$ 2,676,339
Other	220,134
<b>Total Operating Revenues</b>	<b>2,896,473</b>
<b>Operating Expenses:</b>	
Salaries & Wages	614,103
Operating Expenses	688,474
Depreciation	486,612
<b>Total Operating Expenses</b>	<b>1,789,189</b>
<b>Operating Income (Loss)</b>	<b>1,107,284</b>
<b>Non-Operating Revenues (Expenses):</b>	
Interest Expense	(546,709)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(546,709)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>560,575</b>
<b>Operating Transfers:</b>	
Transfers (Out)	(218,000)
<b>Total Operating Transfers</b>	<b>(218,000)</b>
<b>Change in Net Assets</b>	<b>342,575</b>
<b>Net Assets at Beginning of Year</b>	<b>9,081,466</b>
<b>Net Assets at End of Year</b>	<b>\$ 9,424,041</b>

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

**TOWN OF NORTON, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Business-Type Activities Enterprise Fund</b>
	<b>Water Fund</b>
<b>Cash Flows From Operating Activities:</b>	
Receipts from Customers and Users	\$ 2,519,264
Receipts from Other Revenues	220,134
Payments to Vendors	(692,402)
Payments to Employees	(611,373)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>1,435,623</b>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Transfers from (to) Other Funds	(218,000)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(218,000)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition and Construction of Capital Assets	(1,566,297)
Principal Payments on Bonds	(760,000)
Interest Expense	(555,519)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(2,881,816)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,664,193)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>7,322,143</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 5,657,950</b>
 <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>	
<b>Operating Income (Loss)</b>	<b>\$ 1,107,284</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>	
Depreciation	486,612
Change in Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	(3,928)
Increase (Decrease) in Accrued Payroll	(8,795)
Increase (Decrease) in Compensated Absences	11,525
Decrease (Increase) in User Charges Receivable	(157,075)
<b>Total Adjustments</b>	<b>328,339</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 1,435,623</b>

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

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

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 101,612	\$ 744,811
<b>Total Assets</b>	<b>101,612</b>	<b>744,811</b>
<b>LIABILITIES</b>		
Warrants Payable	550	9,932
Due to Others	-	1,683
Due to Student Groups	-	134,436
Deposits and Escrows	-	598,760
<b>Total Liabilities</b>	<b>550</b>	<b>744,811</b>
<b>NET ASSETS:</b>		
Held in Trust for Other Purposes	\$ 101,062	\$ -

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, 2010**

	<b>Private Purpose Trust Funds</b>
<b>Additions</b>	
Contributions:	
Private Donations	\$ 37,150
Total Contributions	37,150
Investment Income:	
Interest & Dividends	1,424
Total Investment Earnings	1,424
<b>Total Additions</b>	<b>38,574</b>
<b>Deductions:</b>	
Educational Scholarships	37,700
<b>Total Deductions</b>	<b>37,700</b>
<b>Change in Net Assets</b>	<b>874</b>
<b>Net Assets at Beginning of Year</b>	<b>100,188</b>
<b>Net Assets at End of Year</b>	<b>\$ 101,062</b>

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

**TOWN OF NORTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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 2010, 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 families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

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

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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:

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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

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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.

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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, 2009 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 2010 on June 29, 2009, that were due on August 3, 2009 and November 2, 2009 and actual bills on December 30, 2009 that were due on February 1, 2010 and May 3, 2010.

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 2010 is \$25,577,557. The total amount raised by taxation was \$25,563,230.

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

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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.

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

***Departmental***

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

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

***Special Assessments***

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

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

***Due from Other Governments***

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

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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.

“Perpetual permanent fund” represents amounts held in trust for which only investment earnings may be expended.

“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)	\$ 578,990	
(Overlay Surplus)	<u>75,000</u>	\$ 653,990

**Cyrus Hicks Fund**

100,000

**Nonmajor Governmental Fund:**

Capital Improvement Fund	\$ 120,200	
Ambulance Fund	483,000	
Septic Repair Program	61,776	
Dog Fund	8,000	
Wetlands Protection Fees Fund	<u>8,000</u>	<u>680,976</u>
		<u><u>\$ 1,434,966</u></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, 2010, the expense/expenditure totaled approximately \$1,560,578. There were approximately 278 participants eligible to received benefits at June 30, 2010.

**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 . . . "

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For fiscal year 2010, the Town incurred a final budget deficit of \$2,073,603 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	\$ 150,000
Free cash	995,392
Prior years reserved for encumbrance	928,211
	<u>\$ 2,073,603</u>

**B. Deficit Fund Equity**

The following funds had deficits at June 30, 2010 as measured by the balances of unreserved fund balance.

- The septic management loan program special revenue fund has a deficit of \$361,851. 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 \$112,500. The deficit will be eliminated upon the issuance of debt.
- The Middle school repairs fund has a deficit of \$466,665. The deficit will be eliminated upon the issuance of debt.
- The Cobra reimbursement special revenue fund has a deficit of \$1,171. The deficit will be eliminated upon the receipt of additional funds.

**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, 2010 were \$16,637,583. Of these none were exposed to custodial credit risk as uninsured and uncollateralized.

**Investment Policies**

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and notes proceeds in term deposits and certificates of deposit of

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banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

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

As of June 30, 2010, the Town had the following investments and maturities:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities:					
U. S. treasury obligations	\$ 512,060	\$ -	\$ 107,724	\$ 404,336	\$ -
U. S. government agencies	715,360	104,125	387,078	224,157	-
Municipal bonds	610,896	-	269,166	-	341,730
Money market mutual fund	290,167	290,167	-	-	-
	<u>2,128,483</u>	<u>394,292</u>	<u>763,968</u>	<u>628,493</u>	<u>341,730</u>
Other Investments:					
Equity securities - domestic	2,825,988				
Equity securities - international	667				
MMDT	188,063				
	<u>\$ 5,143,201</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 \$5,143,201 in investments, \$40,167 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, 2010 is as follows:

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Related Debt Instruments	Moody's Quality Ratings				
	Fair Value	Aaa	A1	A2	Not Rated
Debt Securities:					
U. S. treasury obligations	\$ 512,060	\$ 512,060	\$ -	\$ -	\$ -
U. S. government agencies	715,360	715,360	-	-	-
Municipal bonds	610,896	82,802	186,364	341,730	-
Money market mutual fund	290,167	-	-	-	290,167
	<u>\$ 2,128,483</u>	<u>\$ 1,310,222</u>	<u>\$ 186,364</u>	<u>\$ 341,730</u>	<u>\$ 290,167</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 and Corporate bonds amounting to 6.45% and 6.64%, respectively.

**B. Receivables**

At June 30, 2010, 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
<b>Major and nonmajor governmental funds:</b>			
Property taxes	\$ 530,503	\$ (40,500)	\$ 490,003
Deferred property taxes	25,624	-	25,624
Tax liens	839,590	-	839,590
Taxes in litigation	1,092	-	1,092
Excise taxes	253,023	(52,000)	201,023
User charges	288,524	-	288,524
Departmental	385,498	(286,675)	98,823
Special assessments	1,148,318	-	1,148,318
Due from other governments	10,304,188	-	10,304,188
	<u>\$ 13,776,360</u>	<u>\$ (379,175)</u>	<u>\$ 13,397,185</u>

At June 30, 2010, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water	\$ 877,031	\$ -	\$ 877,031

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The composition of amounts due from other governments as of June 30, 2010 for governmental funds is as follows:

**Governmental Funds:**

**General Fund:**

***Commonwealth of Massachusetts:***

Department of Veterans Services:

Veterans benefits \$ 197,404

Department of Revenue:

Veterans, blind, and surviving spouse tax exemptions 36,852

***Commonwealth of Massachusetts:***

School Building Assistance:

Capital Portion 9,807,675 \$ 10,041,931

**Nonmajor Governmental Funds:**

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

School Lunch \$ 14,882

***Commonwealth of Massachusetts:***

Massachusetts Department of Elementary and  
and Secondary Education:

School Lunch 1,922

Special Education Reimbursement 151,045

Department of Early Education and Care:

ARRA funds - Early childhood 1,351

Executive Office of Public Safety & Homeland Security:

911 support & incentive grant 13,118

Traffic enforcement 1,508

Massachusetts Highway Department:

Chapter 90 funded projects 78,431 262,257

\$ 10,304,188

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, 2010 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 \$415,328.

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	\$	25,624	
Tax liens		839,590	
Taxes in litigation		1,092	
Excise taxes		201,023	
User charges		288,524	
Special assessments		636,168	
Due from other governments		9,970,707	\$ 11,962,728

**Nonmajor Governmental Funds:**

Departmental	\$	68,842	
Special assessments		512,150	
Due from other governments		78,431	659,423
			<u>\$ 12,622,151</u>

**C. Capital Assets**

**Governmental Activities**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 7,033,653	\$ 137,191	\$ -	\$ 7,170,844
Construction in Progress	-	74,750	-	74,750
Total capital assets not being depreciated	7,033,653	211,941	-	7,245,594
Capital assets being depreciated:				
Buildings and Renovations	41,435,417	-	-	41,435,417
Machinery, equipment and other	5,023,763	173,720	(97,275)	5,100,208
Infrastructure	15,021,890	773,820	-	15,795,710
Total capital assets being depreciated	61,481,070	947,540	(97,275)	62,331,335
Less accumulated depreciation for:				
Buildings and Renovations	20,144,103	1,193,801	-	21,337,904
Machinery, equipment and other	3,898,906	337,437	(97,275)	4,139,068
Infrastructure	4,086,164	509,699	-	4,595,863
Total accumulated depreciation	28,129,173	2,040,937	(97,275)	30,072,835
Total capital assets being depreciated, net	33,351,897	(1,093,397)	-	32,258,500
Total governmental activities capital assets, net	\$ 40,385,550	\$ (881,456)	\$ -	\$ 39,504,094

**TOWN OF NORTON, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010**

**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	1,051,491	(5,586,469)	353,802
Total capital assets not being depreciated	5,223,706	1,051,491	(5,586,469)	688,728
Capital assets being depreciated:				
Buildings and improvements	64,864	-	-	64,864
Machinery, equipment and other	978,460	-	(21,210)	957,250
Infrastructure	13,321,027	5,633,612	21,210	18,975,849
Total capital assets being depreciated	14,364,351	5,633,612	-	19,997,963
Less accumulated depreciation for:				
Buildings and improvements	8,534	4,324	-	12,858
Machinery, equipment and other	574,159	86,766	(1,060)	659,865
Infrastructure	3,040,285	395,522	1,060	3,436,867
Total accumulated depreciation	3,622,978	486,612	-	4,109,590
Total capital assets being depreciated, net	10,741,373	5,147,000	-	15,888,373
Total business-type activities capital assets, net	\$ 15,965,079	\$ 6,198,491	\$ (5,586,469)	\$ 16,577,101

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

**Governmental Activities:**

General government	\$ 26,240
Public safety	284,196
Public works	562,493
Education	1,065,228
Health and human services	46,060
Culture and recreation	56,720
Total depreciation expense - governmental activities	<u>\$ 2,040,937</u>

**Business-Type Activities:**

Water fund	\$ 486,612
Total depreciation expense - business-type activities	<u>\$ 486,612</u>

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

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

**TOWN OF NORTON, MASSACHUSETTS  
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Transfers Out:	Transfers In:		
	General fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 143,510	\$ 143,510
Cyrus Hicks fund	105,000	-	105,000
Stabilization fund	1,000	-	1,000
Nonmajor governmental funds	746,104	-	746,104
Water business type fund	218,000	-	218,000
<b>Total transfers out</b>	<b>\$ 1,070,104</b>	<b>\$ 143,510</b>	<b>\$ 1,213,614</b>

**E. Leases**

The Town has entered into lease agreements as lessee for financing 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, including any expiring in 2010, acquired through the capital leases are as follows:

<b>Asset:</b>	<b>Governmental Activities</b>
Machinery, equipment and other	\$ 1,294,576
Less: Accumulated Depreciation	(865,624)
<b>Total</b>	<b>428,952</b>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, are as follows:

<b>Year Ending June 30,</b>	<b>Governmental Activities</b>
2011	\$ 31,114
2012	31,114
2013	31,115
Total minimum lease payments	\$ 93,343
Less: amount representing interest	(7,811)
<b>Present value of minimum lease payments</b>	<b>\$ 85,532</b>

**TOWN OF NORTON, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010**

**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, 2009	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2010
<b>Governmental Activities:</b>						
<i>Massachusetts Water</i>						
<i>Pollution Abatement Trust:</i>						
Community Septic Program	0.00%	09/01/09	\$ 200,000	\$ -	\$ -	\$ 200,000
Community Septic Program	0.00%	07/01/10	126,502	75,000	-	201,502
School repairs	2.35%	07/31/09	885,060	-	885,060	-
School repairs	1.70%	07/30/10	-	579,165	-	579,165
			<u>\$ 1,211,562</u>	<u>\$ 654,165</u>	<u>\$ 885,060</u>	<u>\$ 980,667</u>

**G. Long Term Debt**

**General Obligation Bonds**

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

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

**TOWN OF NORTON, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
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	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2010
<b>Inside Debt:</b>					
Police Station	4.69%	10/01/98	10/01/18	\$ 2,425,000	\$ 1,080,000
Land Acquisition - School	4.67%	10/01/98	10/01/16	\$ 1,400,000	525,000
Sewer Bonds	5.11%	11/15/00	11/15/20	\$ 210,000	110,000
Land Acquisition - Slattery Property	3.66%	11/01/04	11/01/22	\$ 400,000	275,000
School Building Renovations	3.75%	11/01/04	11/01/23	\$ 2,100,000	1,540,000
Land Acquisition	3.96%	10/01/07	10/01/22	\$ 500,000	430,000
Sewer Project	4.04%	10/01/07	10/01/17	\$ 350,000	280,000
<b>Massachusetts Water Pollution Abatement Trust:</b>					
Lake Winnecunnet Sewer	N/A	11/26/02	08/01/22	\$ 2,375,687	1,681,070
Water Resource Management	N/A	11/26/02	08/01/22	\$ 334,237	236,593
<b>Total Inside Debt</b>					<b>\$ 6,157,663</b>
<b>Outside Debt:</b>					
Middle School	4.69%	10/01/98	10/01/18	\$ 21,800,000	9,810,000
<b>Massachusetts Water Pollution Abatement Trust:</b>					
Title V Septic Loans - Round 1	0.00%	04/29/99	02/01/17	\$ 199,807	77,703
Title V Septic Loans - Round 2	0.00%	07/24/03	02/01/21	\$ 195,089	119,123
Title V Septic Loans - Round 3	0.00%	08/01/04	08/01/23	\$ 236,799	173,495
Title V Septic Loans - Round 4	0.00%	12/14/06	07/15/26	\$ 146,244	124,308
Title V Septic Loans - Round 5	0.00%	11/15/06	08/01/24	\$ 184,207	153,431
<b>Total Outside Debt</b>					<b>\$ 10,458,060</b>
<b>Total Governmental Type Debt</b>					<b>\$ 16,615,723</b>

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, 2010
<b>Outside Debt:</b>					
<b>Water fund:</b>					
Water Storage Facility	5.10%	11/15/00	11/15/20	\$ 2,200,000	\$ 1,210,000
Water Mains	3.99%	10/01/07	10/01/27	\$ 3,300,000	2,970,000
New Water Tank	3.99%	10/01/07	10/01/27	\$ 1,700,000	1,530,000
Water Mains	4.02%	08/01/08	08/01/28	\$ 3,000,000	2,850,000
Water Mains	4.02%	08/01/08	08/01/28	\$ 5,000,000	4,750,000
<b>Total Business-type Debt</b>					<b>\$ 13,310,000</b>

**Future Debt Service**

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2010 are as follows:

**TOWN OF NORTON, MASSACHUSETTS  
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**Governmental Type Activities**

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 1,673,899	\$ 752,352	\$ 2,426,251
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	1,682,245	424,054	2,106,299
2016-2020	6,952,313	936,882	7,889,195
2021-2025	1,251,060	92,426	1,343,486
2026-2027	14,626	-	14,626
	<u>\$ 16,615,723</u>	<u>\$ 3,986,299</u>	<u>\$ 20,602,022</u>

**Business-Type Activities**

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	760,000	413,035	1,173,035
2016-2020	3,800,000	1,581,959	5,381,959
2021-2025	3,360,000	829,369	4,189,369
2026-2029	2,350,000	182,587	2,532,587
	<u>\$ 13,310,000</u>	<u>\$ 4,947,946</u>	<u>\$ 18,257,946</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**  
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	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts Due within One Year
<b>Governmental activities:</b>					
<b>Bond Payable:</b>					
General obligation bonds	\$ 15,550,000	\$ -	\$ 1,500,000	\$ 14,050,000	\$ 1,500,000
Massachusetts Water Pollution Abatement Trust	2,736,244	-	170,521	2,565,723	173,899
<b>Leases Payable</b>	175,926	-	90,394	85,532	27,265
<b>Compensated Absences</b>	1,729,420	27,554	36,419	1,720,555	735,560
<b>OPEB Obligation Payable</b>	4,592,376	1,901,061	-	6,493,437	-
Governmental activity					
Long-term liabilities	<u>\$ 24,783,966</u>	<u>\$ 1,928,615</u>	<u>\$ 1,797,334</u>	<u>\$ 24,915,247</u>	<u>\$ 2,436,724</u>
<b>Business type activities:</b>					
<b>Bond Payable:</b>					
General obligation bonds	\$ 14,070,000	\$ -	\$ 760,000	13,310,000	\$ 760,000
<b>Compensated absences</b>	118,105	11,525	-	129,630	46,350
Business-type activity long term					
Long-term liabilities	<u>\$ 14,188,105</u>	<u>\$ 11,525</u>	<u>\$ 760,000</u>	<u>\$ 13,439,630</u>	<u>\$ 806,350</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, 2010 totaled \$6,157,663.

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, 2010

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	\$ 29,925,723	
Less: Debt Outside Debt Limit	<u>(23,768,060)</u>	<u>6,157,663</u>
Inside Debt Excess Borrowing Capacity at June 30, 2010		<u>\$ 118,272,377</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**  
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**No. 97-1020**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Less: Loan Subsidy Amount</b>	<b>Net Loan Repayments</b>
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
Fiscal year 2010	11,100	4,915	16,015	4,915	11,100
	<u>\$ 77,703</u>	<u>\$ 17,377</u>	<u>\$ 95,080</u>	<u>\$ 17,377</u>	<u>\$ 77,703</u>

**No. CW-00-47**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Less: Loan Subsidy Amount</b>	<b>Net Loan Repayments</b>
Initial Loan Obligation	\$ 2,375,678	\$ 1,288,041	\$ 3,663,719	\$ 1,468,751	\$ 2,194,968
Restructuring	-	(61,560)	(61,560)	(29,282)	(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
Fiscal Year 2010	103,897	85,901	189,798	81,825	107,973
	<u>\$ 1,681,070</u>	<u>\$ 530,742</u>	<u>\$ 2,211,812</u>	<u>\$ 810,476</u>	<u>\$ 1,401,336</u>

**TOWN OF NORTON, MASSACHUSETTS**  
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**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
Restructuring	-	(8,844)	(8,844)	(4,239)	(4,605)
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
Fiscal Year 2010	14,612	12,078	26,690	11,511	15,179
	<u>\$ 236,593</u>	<u>\$ 74,412</u>	<u>\$ 311,005</u>	<u>\$ 113,846</u>	<u>\$ 197,159</u>

**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	8,968	19,821	8,968	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
Fiscal Year 2010	10,852	6,716	17,568	6,716	10,852
	<u>\$ 119,123</u>	<u>\$ 36,793</u>	<u>\$ 155,916</u>	<u>\$ 36,793</u>	<u>\$ 119,123</u>

**TOWN OF NORTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**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
Fiscal Year 2010	12,489	9,148	21,637	9,148	12,489
	<u>\$ 173,495</u>	<u>\$ 61,772</u>	<u>\$ 235,267</u>	<u>\$ 61,772</u>	<u>\$ 173,495</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
Fiscal Year 2010	7,312	-	7,312	-	7,312
	<u>\$ 124,308</u>	<u>\$ -</u>	<u>\$ 124,308</u>	<u>\$ -</u>	<u>\$ 124,308</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
Fiscal Year 2010	10,259	7,851	18,110	7,851	10,259
	<u>\$ 153,431</u>	<u>\$ 57,715</u>	<u>\$ 211,146</u>	<u>\$ 57,715</u>	<u>\$ 153,431</u>

**Loans Authorized and Unissued - Memorandum Only**

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt.

**TOWN OF NORTON, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010**

Loan authorizations that have not been issued as of June 30, 2010 and are not reflected in the Town's financial statements are as follows:

<b>Date of Town Meeting Authorized</b>	<b>Purpose</b>	<b>Amount</b>
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	112,500
05/23/07	Reconstruction/repairs to Norton Middle School Building	466,665
06/07/10	Feasibility study at Norton High School	600,000
		<u>\$ 2,179,165</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, 2010, \$912,250 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 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.

**TOWN OF NORTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**B. Town Meeting – Fiscal Year 2011**

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, 2010 do not reflect the fiscal year 2011 Town Meeting action, with the exception of Unreserved Fund Balance-Designated for Subsequent Years' Expenditures as disclosed below. The Annual Town Meeting on June 7, 2010 authorized a fiscal year 2011 operating and capital budget as follows:

From the tax levy	\$	46,710,316	
From water user fees		218,000	
From water surplus		30,000	
From Other Available Funds:			
(Designated for Subsequent Years' Expenditures)			
<b>General Fund:</b>			
Undesignated Fund Balance:			
(Free Cash)	\$	578,990	
(Overlay Surplus)		75,000	653,990
<b>Major Fund:</b>			
Cyrus Hicks Fund			100,000
<b>Nonmajor Governmental Fund:</b>			
Capital Improvement Fund		120,200	
Ambulance Fund		483,000	
Septic Repair Program		61,776	
Dog Fund		8,000	
Wetlands Protection Fees Fund		8,000	680,976
			<u>\$ 48,393,282</u>

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

**Federal Financial Assistance**

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

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

**TOWN OF NORTON, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010**

**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 and Medex.

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

-Employees will pay 25% of premiums in retirement.

**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 2010 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$1,678,298.

**Annual OPEB Cost and Net OPEB Obligation**

The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

Annual required contribution	<u>\$ 3,660,666</u>
Interest on net OPEB obligation	183,695
Adjustment to annual required contribution	<u>(265,002)</u>
Annual OPEB cost (expense)	3,579,359
Contributions made during the fiscal year	<u>1,678,298</u>
Increase in net OPEB obligation	1,901,061
Net OPEB Obligation - beginning of year	4,592,376
Net OPEB Obligation - end of year	<u><u>\$ 6,493,437</u></u>

**TOWN OF NORTON, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010**

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

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/08	\$ 3,592,045	32.5%	\$ 2,423,711
06/30/09	3,435,238	36.9%	4,592,376
06/30/10	3,579,359	46.9%	6,493,437

**Funded Status and Funding Process**

As of July 1, 2009, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$50,629,936 and the actuarial value of assets was \$0.0 million, resulting in a total unfunded actuarial accrued liability (UAAL) of \$50,629,936.

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-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Town OPEB actuarial valuation used the projected unit credit actuarial cost method. The OPEB liability is currently unfunded and the actuarial assumptions include a 4.00% rate of return on invested assets. The actuarial assumptions also include an expected payroll growth of 4.50% per annum, a general inflation of 3.50% per annum and healthcare trend rates as follows:

**TOWN OF NORTON, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010**

<b>Year</b>	<b>Medical</b>	<b>Dental</b>
FY 2008	11.0%	8.5%
FY 2009	10.0%	8.0%
FY 2010	6.4%	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, 2010 is 27 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 \$4,381,539 for the fiscal year ending June 30, 2010, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

The Town has 237 employees in the retirement system.

The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Bristol County Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 645 County Street, Taunton, Massachusetts.

**Funding Policy**

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment

**TOWN OF NORTON, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010**

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, 2010, 2009 and 2008 is shown below, which equaled its required contribution for each fiscal year.

<b>Fiscal Year Ended June 30</b>	<b>Town's Contribution</b>
2010	\$ 1,905,860
2009	1,914,390
2008	1,872,715

The last actuarial valuation was prepared by Buck Consultants, LLC as of January 1, 2009. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.25% compounded annually, (b) projected salary, including longevity, increases of 4.5% per year per member.

The unfunded actuarial liability for the entire system is \$300,921,268. The Town's portion of such liability is approximately 6.54% or \$19,680,251.

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

In addition, the Town can provide supplemental funding under Section 5D of Chapter 40 of the Massachusetts General Laws. Currently the Town of Norton has not provided for any supplemental funding.

### **Reporting Policies**

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

Investments are reported in accordance with PERAC requirements.

## **SUPPLEMENTARY SCHEDULES**

**TOWN OF NORTON, MASSACHUSETTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Fund Balances July 1, 2009	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2010
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
School Grants	76,067	1,543,298	1,507,051	(1)	112,313
Arts Lottery Council Grant	14,269	5,006	13,008	-	6,267
Board of Health Grants	-	28,678	27,429	-	1,249
Cobra Reimbursement	-	15,489	16,660	-	(1,171)
Council on Aging Grants	10,044	-	782	-	9,262
Extended Polling Hours	-	14,022	14,014	-	8
Highway Grants	145,112	648,156	662,701	-	130,567
Other Grants	9,030	7,510	12,400	-	4,140
Public Safety Grants	32,493	78,176	88,054	-	22,615
<b>Schools:</b>					
School Lunch Program	85,260	719,854	728,282	-	76,832
School Lunch Commodities	-	37,307	37,307	-	-
School Private Grants	-	10,000	1,985	-	8,015
Revolving Accounts	301,475	748,200	590,967	-	458,708
State Special Education Reimbursement	19,737	518,204	461,517	-	76,424
<b>Other:</b>					
Ambulance Fund	628,943	562,671	-	(492,154)	699,460
Board of Health Mini-Grant	2,509	-	128	-	2,381
Bristol County Homeland Security Grants	3,630	-	3,065	-	565
Compost Bin Recycling Bin Revolving	92	715	-	-	807
Conservation Outside Consultant Fees	7,893	-	-	-	7,893
Dog Fund	65,582	17,335	-	(5,000)	77,917
Gifts and Donations	359,830	297,039	298,458	9,357	367,768
Hazardous Materials Revolving	3,409	336	2,294	-	1,451
Insurance Reimbursement	5,704	49,964	16,907	(38,454)	307
Jackson Property Fees	-	8,000	-	-	8,000
Forestry Revolving	-	5,904	2,372	-	3,532
Clean Energy Choice Grant	-	7,352	5,882	-	1,470
Law Enforcement Fund	61,688	15,314	34,622	-	42,380
Parks and Recreation Revolving	670	4,109	708	-	4,071
Planning Board Review Fund	40,383	9,436	10,816	-	39,003
Police Restitution	475	1,413	1,472	-	416
Public Safety Outside Detail Funds	-	715,312	715,312	-	-
<b>Sub-total Special Revenue Funds - Page 55</b>	<b>\$ 1,874,295</b>	<b>\$ 6,068,800</b>	<b>\$ 5,254,193</b>	<b>\$ (526,252)</b>	<b>\$ 2,162,650</b>

**TOWN OF NORTON, MASSACHUSETTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Fund Balances July 1, 2009	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2010
<b>Continued from Page 55</b>	\$ 1,874,295	\$ 6,068,800	\$ 5,254,193	\$ (526,252)	\$ 2,162,650
<b>Other (continued):</b>					
Recycling Revolving	19,313	3,559	723	-	22,149
Septic Management Loan Program	(291,026)	-	70,825	-	(361,851)
Septic Loan Repayments	650,214	96,822	-	(62,012)	685,024
Wetlands Protection Fund	13,803	2,253	4,458	(8,000)	3,598
Zoning Board of Appeals Outside Consultant Fees	9,742	72	-	-	9,814
Capital Improvement Trust Fund	567,027	7,576	-	(6,330)	568,273
Conservation Fund	2,809	6	-	-	2,815
Sale of Pines Fund	18,381	43	-	-	18,424
War Memorial Fund	461	1	-	-	462
<b>Total Special Revenue Funds</b>	<b>2,865,019</b>	<b>6,179,132</b>	<b>5,330,199</b>	<b>(602,594)</b>	<b>3,111,358</b>
<b>Capital Projects:</b>					
Henri Yelle School Repairs	(150,000)	-	-	37,500	(112,500)
Land Purchase	9,945	-	-	-	9,945
Middle School Repairs	(650,430)	-	-	183,765	(466,665)
New Middle School	10,056	-	6,263	-	3,793
Solar Panel Project	-	75,000	74,750	-	250
<b>Sewer Projects:</b>					
Interceptor Sewerage Collection System	4,915	-	-	-	4,915
Knollwood Sewerage Collection System	12,966	-	-	-	12,966
Lake Winnecunnet Wastewater	12,064	-	-	-	12,064
Sewer Main	20,014	-	210	-	19,804
Sewerage Capital and Upgrade	61,539	-	61,539	-	-
<b>Total Capital Projects Fund</b>	<b>(668,931)</b>	<b>75,000</b>	<b>142,762</b>	<b>221,265</b>	<b>(515,428)</b>
<b>Perpetual Permanent Funds:</b>					
Cemetery Perpetual Care Fund	222,800	3,400	-	-	226,200
Library Fund	2,000	-	-	-	2,000
Wetherell Athletic Fund	10,000	-	-	-	10,000
<b>Total Perpetual Permanent Funds</b>	<b>234,800</b>	<b>3,400</b>	<b>-</b>	<b>-</b>	<b>238,200</b>

**TOWN OF NORTON, MASSACHUSETTS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010**

	Fund Balances July 1, 2009	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2010
<b>Permanent Funds:</b>					
Cemetery Perpetual Care Fund	91,216	654	614	-	91,256
Library Fund	-	45	-	-	45
Wetherell Athletic Fund	155	24	-	-	179
<b>Total Permanent Funds</b>	<u>91,371</u>	<u>723</u>	<u>614</u>	<u>-</u>	<u>91,480</u>
<b>Total - Non-Major Governmental Funds</b>	<u>\$ 2,522,259</u>	<u>\$ 6,258,255</u>	<u>\$ 5,473,575</u>	<u>\$ (381,329)</u>	<u>\$ 2,925,610</u>

**TOWN OF NORTON, MASSACHUSETTS  
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND  
ROLLBACK TAXES AND DEFERRED PROPERTY TAXES  
JULY 1, 2009 TO JUNE 30, 2010**

	Uncollected Taxes July 1, 2009	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2010	Uncollected Taxes Per Detail June 30, 2010
<b>Real Estate Taxes:</b>						
Levy of 2010	\$ -	\$ 24,746,404	\$ 433,086	\$ 23,924,005	\$ 389,313	\$ 389,313
Levy of 2009	419,298	2,058	181,136	240,220	-	-
Levy of 2008	483	-	37,333	(36,850)	-	-
Levy of 2007	168	-	-	-	168	168
Levy of 2006	1,474	-	-	-	1,474	1,474
Prior Years	57,564	-	3,522	606	53,436	53,436
	<u>478,987</u>	<u>24,748,462</u>	<u>655,077</u>	<u>24,127,981</u>	<u>444,391</u>	<u>444,391</u>

**Personal Property Taxes:**

Levy of 2010	-	816,826	5,257	792,876	18,693	18,693
Levy of 2009	22,029	-	-	744	21,285	21,285
Levy of 2008	10,640	-	-	173	10,467	10,467
Levy of 2007	9,407	-	-	59	9,348	9,348
Levy of 2006	7,320	-	-	-	7,320	7,320
Prior Years	53,136	-	37,741	36	15,359	15,359
	<u>102,532</u>	<u>816,826</u>	<u>42,998</u>	<u>793,888</u>	<u>82,472</u>	<u>82,472</u>

**Rollback Taxes**

	-	38,650	-	35,010	3,640	3,640
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**Total Real Estate, Personal  
Property and Rollback Taxes**

	\$ 581,519	\$ 25,603,938	\$ 698,075	\$ 24,956,879	\$ 530,503	\$ 530,503
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**Deferred Property Taxes**

	\$ 23,084	\$ 2,540	\$ -	\$ -	\$ 25,624	\$ 25,624
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**TOWN OF NORTON, MASSACHUSETTS  
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES  
JULY 1, 2009 TO JUNE 30, 2010**

	Uncollected Taxes July 1, 2009	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes 6/30/2010	Uncollected Taxes Per Detail 6/30/2010
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2010	\$ -	\$ 1,742,833	\$ 26,167	\$ 1,601,033	\$ 115,633	\$ 115,633
Levy of 2009	124,202	238,674	18,309	308,059	36,508	36,508
Levy of 2008	38,403	190	2,759	20,717	15,117	15,117
Levy of 2007	23,540	46	614	5,452	17,520	17,520
Levy of 2006	20,753	-	20	2,587	18,146	18,146
Prior Years	53,491	-	-	3,392	50,099	50,099
<b>Total Motor Vehicle Excise Taxes</b>	<b>\$ 260,389</b>	<b>\$ 1,981,743</b>	<b>\$ 47,869</b>	<b>\$ 1,941,240</b>	<b>\$ 253,023</b>	<b>\$ 253,023</b>

TOWN OF NORTON, MASSACHUSETTS  
 SCHEDULE OF TAX LIENS AND TAXES IN LITIGATION  
 JULY 1, 2009 TO JUNE 30, 2010

	Uncollected Accounts July 1, 2009	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2010	Uncollected Accounts Per Detail June 30, 2010
Tax Liens	\$ 749,008	\$ 469,902	\$ 144,712	\$ 234,608	\$ 839,590	\$ 827,102
Taxes in Litigation	\$ 1,092	\$ -	\$ -	\$ -	\$ 1,092	\$ 1,092