TOWN OF NORTON, MASSACHUSETTS

Report on the Examination of Basic Financial Statements

For the Year Ended June 30, 2014

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Scanlon & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Norton, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 13 and the *Schedule of Funding Progress and Employer Contributions* on pages 57 and 58 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Norton, Massachusetts' basic financial statements. 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2015, on our consideration of the Town of Norton, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Norton, Massachusetts' internal control over financial reporting and compliance.

Scanlon & Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

January 5, 2015

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, 2014. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets exceeded its liabilities by $67,227,601 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by $61,892,831 or an increase of $5,334,770 (9%).

- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of $17,005,814, an increase of $3,582,072 (27%).

- The General Fund's total fund balance increased $175,669 (3%) to $6,723,451. The ending General fund balance is 12% of revenues and transfers in and 12% of expenditures and transfers out.

- The total liabilities of the Town increased by $2,675,900 (5%) during the fiscal year. This was mainly attributed to a decreases in warrants payable of $2,030,822 (92%) and bond anticipation notes payable of $4,219,610 (61%), and increases in the other post employment benefit (OPEB) liability of $3,129,265 (25%) and in net bonds and leases payable of $6,421,178 (21%).

- The Town had free cash certified by the Department of Revenue in the amount of $2,212,544. The key factors that attributed to the free cash amount for fiscal year 2014 are as follows:

  - Unexpended/unencumbered appropriations $ 977,700.
  - Amount over/(under) budget – state and local receipts $1,221,350.
  - Prior year free cash not appropriated $ 309,100.

- The Town's enterprise funds certified free cash are as follows:

  - Sewer fund $ 223,549.
  - Water fund $2,075,815.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities)*. The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activity includes sewer and 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 sewer and 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 Position Highlights

	Governmental Activities		
	2014	2013	Change
Assets:			
Current assets	$ 23,662,041	$ 26,722,639	$ (3,060,598)
Noncurrent assets (excluding capital assets)	923,543	1,101,382	(177,839)
Capital assets	69,164,076	57,335,926	11,828,150
Total assets	**93,749,660**	**85,159,947**	**8,589,713**
Liabilities:			
Current liabilities (excluding debt and leases)	2,538,525	5,321,986	(2,783,461)
Current debt including leases	4,535,793	8,191,316	(3,655,523)
Noncurrent liabilities (excluding debt and leases)	16,207,303	13,049,597	3,157,706
Noncurrent debt including leases	18,498,989	11,873,728	6,625,261
Total liabilities	**41,780,610**	**38,436,627**	**3,343,983**
Net Position:			
Net investment in Capital assets	47,444,519	38,700,762	8,743,757
Restricted	11,709,635	12,205,845	(496,210)
Unrestricted	(7,185,104)	(4,183,287)	(3,001,817)
Total net position	**$ 51,969,050**	**$ 46,723,320**	**$ 5,245,730**

	Business-Type Activities		
	2014	2013	Change
Assets:			
Current assets	$ 5,616,207	$ 5,388,089	$ 228,118
Capital assets	20,737,904	21,545,065	(807,161)
Total assets	**26,354,111**	**26,933,154**	**(579,043)**
Liabilities:			
Current liabilities (excluding debt and leases)	332,411	362,478	(30,067)
Current debt including leases	768,717	768,170	547
Noncurrent liabilities (excluding debt and leases)	489,432	359,278	130,154
Noncurrent debt including leases	9,505,000	10,273,717	(768,717)
Total liabilities	**11,095,560**	**11,763,643**	**(668,083)**
Net Position:			
Net Investment in Capital Assets	10,464,187	10,503,178	(38,991)
Restricted	1,252,595	1,365,639	(113,044)
Unrestricted	3,541,769	3,300,694	241,075
Total net position	**$ 15,258,551**	**$ 15,169,511**	**$ 89,040**

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2014	2013	Change
Program Revenues:			
Charges for services	$ 3,104,401	$ 3,012,875	$ 91,526
Operating grants and contributions	21,857,015	21,804,174	52,841
Capital grants and contributions	8,214,256	11,320,145	(3,105,889)
General Revenues:			
Property taxes	29,685,582	28,900,667	784,915
Motor vehicle excise and other taxes	2,626,881	2,006,353	620,528
Hotel room occupancy and meals taxes	300,476	270,522	29,954
Penalties and interest on taxes	287,246	281,615	5,631
Nonrestricted grants	2,269,346	1,992,150	277,196
Unrestricted investment income	783,214	617,073	166,141
Miscellaneous	18,076	7,692	10,384
Total revenues	**69,146,493**	**70,213,266**	**(1,066,773)**
Expenses:			
General government	2,235,020	2,156,959	78,061
Public safety	7,756,036	7,430,853	325,183
Public works	1,679,538	1,487,997	191,541
Education	30,343,500	29,312,518	1,030,982
Health and human services	571,537	527,176	44,361
Culture and recreation	515,232	468,378	46,854
Employee benefits and insurance	18,184,882	17,045,955	1,138,927
State assessments	2,472,838	2,517,431	(44,593)
Interest	489,150	554,787	(65,637)
Total expenses	**64,247,733**	**61,502,054**	**2,745,679**
Contributions to permanent funds	**6,000**	**4,300**	**1,700**
Transfers	**340,970**	**(3,488,951)**	**3,829,921**
Change in net position	**5,245,730**	**5,226,561**	**19,169**
Net position - beginning of year	**46,723,320**	**41,496,759**	**5,226,561**
Net position - end of year	**$ 51,969,050**	**$ 46,723,320**	**5,245,730**

	Business-Type Activities 2014	2013	Change
Program Revenues:			
Charges for services	$ 4,111,384	$ 4,655,695	$ (544,311)
Operating grants and contributions	8,788	8,258	530
Total revenues	**4,120,172**	**4,663,953**	**(543,781)**
Expenses:			
Sewer	981,116	1,257,615	(276,499)
Water	2,709,046	2,420,273	288,773
Total expenses	**3,690,162**	**3,677,888**	**12,274**
Transfers	**(340,970)**	**3,488,951**	**(3,829,921)**
Change in net position	**89,040**	**4,475,016**	**(4,385,976)**
Net position - beginning of year	**15,169,511**	**10,694,495**	**4,475,016**
Net position - end of year	**$ 15,258,551**	**$ 15,169,511**	**$ 89,040**

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by $67,227,601 at the close of fiscal year 2014.

Net position of $57,908,706 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 position $12,962,230 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* ($3,643,335) 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 two categories of net position and a negative balance in the unrestricted net position in the governmental activities. The unrestricted governmental activities resulted in a negative balance of ($7,185,104) as a result of the required accrual under GASB No. 45 of the OPEB liability obligation in the amount of $15,099,372.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position for the business-type activities.

The governmental activities net position increased by $5,245,730 (11%) during the current fiscal year, which reflects the results of operations. This was mainly attributed to revenues exceeding expenditures by $4,898,760, transfers from the sewer and water of $340,970 and contributions to permanent funds of $6,000.

There was an increase of $89,040 (1%) in net position reported in connection with the sewer and water business-type activities. Of this, there was a decrease of $43,306 attributed to the sewer department and an increase of $132,346 attributed to the water department.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of $17,005,814 an increase of $3,582,072 (27%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance - $253,500 (2%).
- Restricted fund balance - $9,753,171 (57%).
- Committed fund balance - $1,054,185 (6%).
- Assigned fund balance - $2,502,407 (15%).
- Unassigned fund balance - $3,442,551 (20%).

At the end of the fiscal year, the General Fund reported a total fund balance of $6,723,451 increasing $175,669 (3%) from the prior year. Of the $6,723,451, the unassigned amount is $4,221,044 (63%) and the assigned amount is $2,502,407 (37%). General fund revenues were $1,330,135 (2.5%) more than the prior fiscal year while expenditures also increased by $1,871,609 (3.5%). Other activity in the General Fund consisted of net transfers from other funds of $1,189,694 and capital lease receipts of $501,335.

The main components of the increases in general fund revenues as compared to the prior year related to property taxes in the amount of $679,349 (2%) and in excise and other taxes of $650,785 (28%) and a decrease in licenses, permits and fees of $318,970 (29%).

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

- Increase in Public safety expenditures of $641,977 (10%).
- Increase in Public works of $526,116 (47%).
- Increase in Education expenditures of $696,800 (3%).
- Increase in Employee benefits and insurance of $193,048 (1%).
- Decrease in Principal and Interest on debt service expenditures of $260,121 (13%).

The *Cyrus Hicks fund* is the accumulation of resources over many years and has a balance of $6,925,343 at the end of the fiscal year. The fund balance increased by $562,374 (9%). This amount was attributed to the receipt of interest of $280,014, unrealized gain of $452,180, expenditures of $54,820, and transfers to the general fund of $100,000 and nonmajor governmental funds of $15,000.

The *high school construction fund* is used to account for financial resources to construct a new high school. The fund has a balance of ($573,456) at the end of the fiscal year. This amount was attributed to the receipt of Massachusetts School Building Authority funds of $6,622,154, expenditures of $10,608,874, issuance of bonds for $6,500,000 and transfers from the general fund of $93,198.

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 *Sewer Fund* has accumulated a fund balance of $4,232,900 used in the financing and operations of the Town's sewer system. The sewer fund shows a decrease of $43,306 (1%) in total operations. This change was mainly attributed to operating revenues sufficient to cover current operating costs by $20,342, interest income of $1,023 and transfers out to the general fund of $64,671. Operating revenues decreased by $554,918 (26%) while operating expenses also decreased by $276,499 (22%) from the prior year.

The *Water Fund* has accumulated a fund balance of $11,025,651 used in the financing and operations of the Town's water system. The water fund shows an increase of $132,346 (1%) in total operations. This change resulted from operating revenues exceeding current operating costs by $823,746, interest income of $7,765, interest expense of $422,866 and transfers out to the general fund of $276,299. Operating revenues increased by $10,607 (.3%) while operating expenses also increased by $314,599 (16%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2014 was $51,832,684. This was an increase of $1,389,894 (3%) over the previous year's budget.

There was an increase of $1,043,070 between the original budget and the total final amended budget. The change is attributed to monies voted from available funds at the special town meetings in October 2013, February 2014 and May 2014 for various budget operating line items.

General fund expenditures were less than budgeted by $2,178,392. Of the $2,178,392 in under budget expenditures, $1,200,651 has been carried over to fiscal year 2015.

There is a negative variance in property taxes $6,615 as a result of lower collections and in interest on investments of $17,517 due to the economic conditions.

Overall the variance with the final budget was a positive $2,192,476 consisting of a revenue surplus of $1,214,735 and an appropriation surplus of $977,741.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities amounts to $69,164,076 and $20,737,904, respectively.

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:

- Land purchases for $1,100,000.
- Police vehicles for $100,265.
- Fire vehicle and ambulance for $441,454.
- Highway vehicles and sweeper for $417,530
- Road improvements/infrastructure for $198,169.
- School vehicles for $79,615.
- Solomonese Elementary School roof replacement for $869,783.
- High school renovations for $10,643,995.
- Recreation Complex building improvements for $25,240.

There were no major capital events during the current fiscal year in the business-type funds.

Debt Administration. The Town's outstanding governmental long-term debt, as of June 30, 2014, totaled $19,803,473, of which $15,283,370 is for various school building renovations, $1,155,000 is for various land acquisitions, $1,280,000 is for sewer projects, $175,000 for the water resource management project, $570,000 is for the police station, $405,000 is for Fire Department vehicles and equipment, and $935,103 is for the Title V septic loan projects.

The business-type funds have outstanding long-term debt as of June 30, 2014 totaling $10,265,000, all of which relates to water projects.

The Town has bond anticipation notes outstanding in the amount of $2,690,183 as of June 30, 2014 for various construction projects and land acquisitions.

The Town has capital governmental leases for financing the acquisition of a highway sweeper, a highway loader, a highway dump truck and a fire truck. The Town currently owes $578,612 on these leases including $541,126 in principal and $37,486 in interest.

The Town has a capital business-type lease for financing the acquisition of a sewer department truck. The Town currently owes $9,301 on the lease including $8,717 in principal and $584 in interest.

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

Next Year's Annual Town Meeting

The Town of Norton operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2014 do not reflect the fiscal year 2015 Town Meeting action except for the free cash and overlay surplus amounts and stabilization fund amount voted. The Annual Town Meeting on May 12, 2014 authorized a fiscal year 2015 operating and capital budget as follows:

From the tax levy			$	46,669,506
From water receipts				3,176,359
From water retained earnings				196,705
From sewer receipts				1,038,479
From sewer retained earnings				30,000
From Other Available Funds:				
General Fund:				
Unassigned fund balance:				
Free cash	$	818,600		
Overlay surplus		75,000		
Capital improvement stabilization fund		408,156		1,301,756
Cyrus Hicks fund				100,000
Non-major Governmental Funds:				
Ambulance fund		775,400		
Dog fund		16,700		
Septic repair program funds		70,000		
Wetlands protection fund		8,000		870,100
			$	53,382,905

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 POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	$ 12,336,578	$ 4,349,747	$ 16,686,325
Investments	7,115,272	-	7,115,272
Receivables, net of allowance for uncollectibles:			
Property Taxes	706,137	-	706,137
Deferred Property Taxes	42,738	-	42,738
Tax Liens	704,741	-	704,741
Taxes in Litigation	1,092	-	1,092
Excise Taxes	140,529	-	140,529
User Charges	301	1,266,460	1,266,761
Departmental	182,471	-	182,471
Special Assessments	118,142	-	118,142
Due from Other Governments	2,314,040	-	2,314,040
Total current assets	23,662,041	5,616,207	29,278,248
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	578,823	-	578,823
Due from Other Governments	344,720	-	344,720
Capital Assets, net of accumulated Depreciation			
Nondepreciable	8,358,532	348,926	8,707,458
Depreciable	60,805,544	20,388,978	81,194,522
Total noncurrent assets	70,087,619	20,737,904	90,825,523
Total Assets	93,749,660	26,354,111	120,103,771
LIABILITIES			
CURRENT:			
Warrants and Accounts Payable	51,084	115,389	166,473
Accrued Payroll	462,385	16,783	479,168
Payroll Withholdings	844,056	-	844,056
Accrued Interest	113,716	145,118	258,834
Retainage Payable	128,642	-	128,642
Other	123,956	-	123,956
Compensated Absences	814,686	55,121	869,807
Bond Anticipation Notes Payable	2,690,183	-	2,690,183
Bonds and Leases Payable	1,845,610	768,717	2,614,327
Total current liabilities	7,074,318	1,101,128	8,175,446
NONCURRENT:			
Compensated Absences	1,107,931	29,247	1,137,178
OPEB Obligation Payable	15,099,372	460,185	15,559,557
Bonds and Leases Payable	18,498,989	9,505,000	28,003,989
Total noncurrent liabilities	34,706,292	9,994,432	44,700,724
Total Liabilities	41,780,610	11,095,560	52,876,170
NET POSITION:			
Net Investment in Capital Assets	47,444,519	10,464,187	57,908,706
Restricted for:			
Capital Projects	2,055,615	1,252,595	3,308,210
Federal & State Grants	907,563	-	907,563
Permanent Funds:			
Expendable	98,061	-	98,061
Nonexpendable	253,500	-	253,500
Other Purposes	8,394,896	-	8,394,896
Unrestricted	(7,185,104)	3,541,769	(3,643,335)
Total Net Position	$ 51,969,050	$ 15,258,551	$ 67,227,601

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, 2014

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	$ 2,235,020	$ 201,694	$ 70,558	$ 545,800	$ (1,416,968)	$ -	$ (1,416,968)
Public Safety	7,756,036	1,700,438	187,155	-	(5,868,443)	-	(5,868,443)
Public Works	1,679,538	20,605	104,585	567,109	(987,239)	-	(987,239)
Education	30,343,500	1,045,158	15,430,689	7,101,347	(6,766,306)	-	(6,766,306)
Health and Human Services	571,537	110,273	201,422	-	(259,842)	-	(259,842)
Culture and Recreation	515,232	26,233	45,620	-	(443,379)	-	(443,379)
Employee Benefits and Insurance	18,184,882	-	5,755,958	-	(12,428,924)	-	(12,428,924)
State Assessments	2,472,838	-	-	-	(2,472,838)	-	(2,472,838)
Interest	489,150	-	61,028	-	(428,122)	-	(428,122)
Total Governmental Activities	64,247,733	3,104,401	21,857,015	8,214,256	(31,072,061)	-	(31,072,061)
Business-Type Activities:							
Sewer	981,116	1,001,458	1,023	-	-	21,365	21,365
Water	2,709,046	3,109,926	7,765	-	-	408,645	408,645
Total Primary Government	$ 67,937,895	$ 7,215,785	$ 21,865,803	$ 8,214,256	(31,072,061)	430,010	(30,642,051)
General Revenues:							
Property Taxes					29,685,582	-	29,685,582
Motor vehicle and other taxes					2,626,881	-	2,626,881
Hotel room occupancy and meal taxes					300,476	-	300,476
Penalties & Interest on taxes					287,246	-	287,246
Grants & Contributions not restricted to specific programs					2,269,346	-	2,269,346
Unrestricted Investment Income					783,214	-	783,214
Miscellaneous					18,076	-	18,076
Contributions to Permanent Funds					6,000	-	6,000
Transfers, net					340,970	(340,970)	-
Total General Revenues, Contributions and Transfers					36,317,791	(340,970)	35,976,821
Change in Net Position					5,245,730	89,040	5,334,770
Net Position:							
Beginning of year					46,723,320	15,169,511	61,892,831
End of year					$ 51,969,050	$ 15,258,551	$ 67,227,601

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

TOWN OF NORTON, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Cyrus Hicks Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	$ 7,672,909	$ -	$ 231,456	$ 4,432,213	$ 12,336,578
Investments	189,929	6,925,343	-	-	7,115,272
Receivables, net of allowance for uncollectibles:					
Property Taxes	706,137	-	-	-	706,137
Deferred Property Taxes	42,738	-	-	-	42,738
Tax Liens	704,741	-	-	-	704,741
Taxes in Litigation	1,092	-	-	-	1,092
Excise Taxes	140,529	-	-	-	140,529
User Charges	301	-	-	-	301
Departmental	-	-	-	182,471	182,471
Special Assessments	387,586	-	-	309,379	696,965
Due from Other Governments	254,291	-	773,730	1,221,169	2,249,190
Total Assets	$ 10,100,253	$ 6,925,343	$ 1,005,186	$ 6,145,232	$ 24,176,014
Liabilities:					
Warrants and Accounts Payable	$ 47,077	$ -	$ -	$ 4,007	$ 51,084
Accrued Payroll	304,870	-	-	157,515	462,385
Retainage Payable	-	-	128,642	-	128,642
Payroll Withholdings	844,056	-	-	-	844,056
Other	123,956	-	-	-	123,956
Bond Anticipation Notes Payable	-	-	1,450,000	1,240,183	2,690,183
Total Liabilities	1,319,959	-	1,578,642	1,401,705	4,300,306
Deferred Inflows of Resources:					
Unavailable Revenue	2,056,843	-	-	813,051	2,869,894
Fund Balance:					
Non-Spendable	-	-	-	253,500	253,500
Restricted	-	6,925,343	-	2,827,828	9,753,171
Committed	-	-	-	1,054,185	1,054,185
Assigned	2,502,407	-	-	-	2,502,407
Unassigned	4,221,044	-	(573,456)	(205,037)	3,442,551
Total Fund Balance	6,723,451	6,925,343	(573,456)	3,930,476	17,005,814
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 10,100,253	$ 6,925,343	$ 1,005,186	$ 6,145,232	$ 24,176,014

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, 2014

	General Fund	Cyrus Hicks Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	$ 29,580,321	$ -	$ -	$ -	$ 29,580,321
Intergovernmental	14,965,834	-	6,622,154	4,024,102	25,612,090
Excise and Other Taxes	2,957,224	-	-	-	2,957,224
Charges for Services	-	-	-	2,555,783	2,555,783
Licenses, Permits, Fees	798,622	-	-	-	798,622
Interest and Penalties on Taxes	287,246	-	-	-	287,246
Investment Income	51,020	732,194	-	690	783,904
Gifts and Donations	-	-	-	154,151	154,151
Other	-	-	-	417,578	417,578
Intergovernmental - "On-behalf" Payments	5,753,495	-	-	-	5,753,495
Total Revenues	54,393,762	732,194	6,622,154	7,152,304	68,900,414
Expenditures:					
Current:					
General Government	1,980,536	54,820	-	1,262,975	3,298,331
Public Safety	6,893,241	-	-	764,582	7,657,823
Public Works	1,644,575	-	-	207,708	1,852,283
Education	25,073,031	-	10,608,874	5,323,831	41,005,736
Health and Human Services	499,669	-	-	25,808	525,477
Culture and Recreation	388,411	-	-	83,797	472,208
Employee Benefits and Insurance	15,174,421	-	-	-	15,174,421
State Assessments	2,472,838	-	-	-	2,472,838
Debt Service:					
Principal	1,288,944	-	-	-	1,288,944
Interest	493,456	-	-	-	493,456
Total Expenditures	55,909,122	54,820	10,608,874	7,668,701	74,241,517
Excess of Revenues Over (Under) Expenditures	(1,515,360)	677,374	(3,986,720)	(516,397)	(5,341,103)
Other Financing Sources (Uses):					
Operating Transfers In	1,284,068	-	93,198	16,176	1,393,442
Operating Transfers Out	(94,374)	(115,000)	-	(843,098)	(1,052,472)
Capital Lease	501,335	-	-	-	501,335
Proceeds from Bonds and Notes	-	-	6,500,000	1,580,870	8,080,870
Total Other Financing Sources (Uses)	1,691,029	(115,000)	6,593,198	753,948	8,923,175
Net Change in Fund Balances	175,669	562,374	2,606,478	237,551	3,582,072
Fund Balances, Beginning of Year	6,547,782	6,362,969	(3,179,934)	3,692,925	13,423,742
Fund Balances, End of Year	$ 6,723,451	$ 6,925,343	$ (573,456)	$ 3,930,476	$ 17,005,814

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 Position
For the Year Ended June 30, 2014

Total Governmental Fund Balances		$ 17,005,814
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		69,164,076
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		3,279,464
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Bonds and Leases Payable	$ (20,344,599)	
Other Post Employment Benefits Payable	(15,099,372)	
Compensated Absences	(1,922,617)	(37,366,588)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.		(113,716)
Net Position of Governmental Activities		$ 51,969,050

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, 2014

Net Change in Fund Balances - Total Governmental Funds		$	3,582,072
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:			
Capital Outlay Purchases	$ 14,260,158		
Depreciation	(2,432,008)		11,828,150
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 unavailable revenue and WPAT subsidy.			252,079
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 Position:			
Repayment of Debt Principal and Lease Principal	1,392,857		
Capital Lease Financing	(501,335)		
Proceeds from Bonds and Notes	(8,080,870)		(7,189,348)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:			
Net Change in Compensated Absences	(221,068)		
Net Change in Other Post Employment Benefits	(3,010,461)		
Net Change in Accrued Interest on Long-Term Debt	4,306		(3,227,223)
Change in Net Position of Governmental Activities		$	5,245,730

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, 2014

	Budgeted Amounts		Actual	Amounts	Variance with
	Original Budget	Final Budget	Budgetary Basis	Carried Forward to Next year	Final Budget Positive (Negative)
Revenues:					
Property Taxes	$ 29,526,936	$ 29,526,936	$ 29,520,321	$ -	$ (6,615)
Intergovernmental	14,588,059	14,588,059	14,965,834	-	377,775
Excise and Other Taxes	2,265,000	2,265,000	2,957,224	-	692,224
Licenses, Permits, Fees	657,000	657,000	798,622	-	141,622
Interest and Penalties on Taxes	260,000	260,000	287,246	-	27,246
Interest on Investments	62,000	62,000	44,483	-	(17,517)
Total Revenues	47,358,995	47,358,995	48,573,730	-	1,214,735
Expenditures:					
Current:					
General Government	2,452,875	2,519,753	1,980,536	445,518	93,699
Public Safety	6,550,935	6,836,538	6,620,152	53,569	162,817
Public Works	1,362,272	1,579,102	1,416,329	105,653	57,120
Education	25,330,291	25,721,920	25,073,031	575,278	73,611
Health and Human Services	477,392	544,800	499,669	11,703	33,428
Culture and Recreation	391,006	388,728	388,411	-	317
Employee Benefits and Insurance	9,855,679	9,872,679	9,519,303	8,930	344,446
State Assessments	2,476,874	2,476,874	2,472,838	-	4,036
Debt Service:					
Principal	1,455,733	1,455,733	1,255,733	-	200,000
Interest	436,557	436,557	428,290	-	8,267
Total Expenditures	50,789,614	51,832,684	49,654,292	1,200,651	977,741
Excess of Revenues Over (Under) Expenditures	(3,430,619)	(4,473,689)	(1,080,562)	(1,200,651)	2,192,476
Other Financing Sources (Uses):					
Operating Transfers In (Out)	1,192,339	1,111,839	1,159,112	-	47,273
Total Other Financing Sources (Uses)	1,192,339	1,111,839	1,159,112	-	47,273
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(2,238,280)	(3,361,850)	78,550	(1,200,651)	2,239,749
Budgetary Fund Balance - Beginning of Year	4,798,667	4,798,667	$ 4,798,667	-	-
Budgetary Fund Balance - End of Year	$ 2,560,387	$ 1,436,817	$ 4,877,217	$ (1,200,651)	$ 2,239,749

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, 2014

	Revenues	Expenditures
Reported on a Budgetary Basis	$ 48,573,730	$ 49,654,292
Adjustments:		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	6,537	-
Net Increase in Revenue from recording Refund Taxes Payable	48,000	-
Recognition of Intergovernmental Revenue - "on behalf payments"	5,753,495	-
Recognition of Expenditures - "on behalf payments"	-	5,753,495
Net Increase in Revenue from Recording 60-Day Receipts	12,000	-
Capital Leases	-	501,335
Reported on a GAAP Basis	$ 54,393,762	$ 55,909,122

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

TOWN OF NORTON, MASSACHUSETTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2014

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	$ 292,451	$ 4,057,296	$ 4,349,747
User Charges, net of allowance for uncollectibles	329,395	937,065	1,266,460
Total current assets	621,846	4,994,361	5,616,207
NONCURRENT:			
Capital Assets, net of accumulated depreciation:			
Nondepreciable	-	348,926	348,926
Depreciable	3,699,847	16,689,131	20,388,978
Total noncurrent assets	3,699,847	17,038,057	20,737,904
Total Assets	4,321,693	22,032,418	26,354,111
LIABILITIES			
CURRENT:			
Accounts Payable	13,716	101,673	115,389
Accrued Payroll	2,934	13,849	16,783
Accrued Interest	-	145,118	145,118
Compensated Absences	10,738	44,383	55,121
Bonds and Leases Payable	8,717	760,000	768,717
Total current liabilities	36,105	1,065,023	1,101,128
NONCURRENT:			
Compensated Absences	483	28,764	29,247
OPEB Obligation Payable	52,205	407,980	460,185
Bonds and Leases Payable	-	9,505,000	9,505,000
Total noncurrent liabilities	52,688	9,941,744	9,994,432
Total Liabilities	88,793	11,006,767	11,095,560
NET POSITION:			
Net Investment in Capital Assets	3,691,130	6,773,057	10,464,187
Restricted for Capital	-	1,252,595	1,252,595
Unrestricted	541,770	2,999,999	3,541,769
Total Net Position	$ 4,232,900	$ 11,025,651	$ 15,258,551

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

TOWN OF NORTON, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Funds		
	Sewer Fund	**Water Fund**	**Total**
Operating Revenues:			
Charges for Services	$ 996,826	$ 2,788,212	$ 3,785,038
Other	4,632	321,714	326,346
Total Operating Revenues	1,001,458	3,109,926	4,111,384
Operating Expenses:			
Salaries & Wages	137,112	590,919	728,031
Operating Expenses	641,169	1,090,935	1,732,104
Depreciation	202,835	604,326	807,161
Total Operating Expenses	981,116	2,286,180	3,267,296
Operating Income (Loss)	20,342	823,746	844,088
Non-Operating Revenues (Expenses):			
Investment Income	1,023	7,765	8,788
Interest Expense	-	(422,866)	(422,866)
Total Non-Operating Revenues (Expenses)	1,023	(415,101)	(414,078)
Income (Loss) Before Operating Transfers	21,365	408,645	430,010
Operating Transfers:			
Transfers In/(Out)	(64,671)	(276,299)	(340,970)
Total Operating Transfers	(64,671)	(276,299)	(340,970)
Change in Net Position	(43,306)	132,346	89,040
Net Position at Beginning of Year	4,276,206	10,893,305	15,169,511
Net Position at End of Year	$ 4,232,900	$ 11,025,651	$ 15,258,551

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

TOWN OF NORTON, MASSACHUSETTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	$ 949,393	$ 2,772,279	$ 3,721,672
Receipts from Other Revenues	4,632	321,714	326,346
Payments to Vendors	(633,933)	(945,381)	(1,579,314)
Payments to Employees	(151,777)	(620,297)	(772,074)
Net Cash Provided by (Used for) Operating Activities	168,315	1,528,315	1,696,630
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) Other Funds	(64,671)	(276,299)	(340,970)
Net Cash Provided by (Used for) Noncapital Financing Activities	(64,671)	(276,299)	(340,970)
Cash Flows from Capital and Related Financing Activities:			
Principal Payments on Bonds and Leases	(8,170)	(760,000)	(768,170)
Interest Expense	-	(431,526)	(431,526)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(8,170)	(1,191,526)	(1,199,696)
Cash Flows from Investing Activities:			
Investment Income	1,023	7,765	8,788
Net Cash Provided by (Used for) Investing Activities	1,023	7,765	8,788
Net Increase (Decrease) in Cash and Cash Equivalents	96,497	68,255	164,752
Cash and Cash Equivalents at Beginning of Year	195,954	3,989,041	4,184,995
Cash and Cash Equivalents at End of Year	$ 292,451	$ 4,057,296	$ 4,349,747

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:

	Sewer Fund	Water Fund	Total
Operating Income (Loss)	$ 20,342	$ 823,746	$ 844,088
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	202,835	604,326	807,161
Change in Assets and Liabilities:			
Increase (Decrease) in Accounts Payable	(5,606)	39,592	33,986
Increase (Decrease) in Accrued Payroll	(13,943)	(28,806)	(42,749)
Increase (Decrease) in Compensated Absences	(722)	(572)	(1,294)
Increase (Decrease) in OPEB Obligation Payable	12,842	105,962	118,804
Decrease (Increase) in User Charges Receivable	(47,433)	(15,933)	(63,366)
Total Adjustments	147,973	704,569	852,542
Net Cash Provided by (Used for) Operating Activities	$ 168,315	$ 1,528,315	$ 1,696,630

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

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	$ 51,179	$ 100,422	$ 420,992
Total Assets	51,179	100,422	420,992
LIABILITIES			
Warrants Payable	-	-	2,490
Due to Others	-	-	1,783
Due to Student Groups	-	-	107,794
Deposits and Escrows	-	-	308,925
Total Liabilities	-	-	420,992
NET POSITION:			
Held in Trust for Other Purposes	$ 51,179	$ 100,422	$ -

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

TOWN OF NORTON, MASSACHUSETTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
Additions		
Contributions:		
Employer	$ 10,000	$ -
Private Donations	-	31,925
Total Contributions	10,000	31,925
Investment Income:		
Interest & Dividends	127	231
Total Investment Earnings	127	231
Total Additions	10,127	32,156
Deductions:		
Educational Scholarships	-	31,250
Total Deductions	-	31,250
Change in Net Position	10,127	906
Net Position at Beginning of Year	41,052	99,516
Net Position at End of Year	$ 51,179	$ 100,422

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Norton, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town 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 2014, it was determined that no entities met the required GASB-39 and GASB-61 criteria for component units.

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

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

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

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

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

Fund financial statements

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

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

Major Fund Criteria

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

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

  and

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

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

Proprietary and fiduciary funds are reported by fund type.

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

Government-wide financial statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, 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.

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

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

Fund financial statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the Town 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 Town reports the following major governmental funds:

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

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

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

The Town reports the following major proprietary funds:

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

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

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 fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Additionally, the Town reports the following fund types:

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

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

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

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

D. Cash and Cash Equivalents

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

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

Investment income from proprietary funds is maintained in those funds.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments to the Town. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

All investments are carried at fair value.

F. Receivables

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

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

Property taxes are based on assessments as of January 1, 2013 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 2014 on June 28, 2013, that were due on August 1, 2013 and November 1, 2013 and actual bills on December 26, 2013 that were due on February 3, 2014 and May 1, 2014.

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 2014 is as follows;

Legal Levy Limit Under Proposition 2 1/2 for fiscal year 2014	$	29,299,266
Add: Debt Exclusion		615,312
	$	29,914,578

The total amount raised by taxation was $29,906,006.

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

Excise Taxes

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

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

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

User Charges

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

User charges and fees in the business-type funds consist of water and sewer that is levied quarterly based on individual meter readings and is subject to penalties and interest if not paid by the respective due date. Water and sewer liens are processed each year and are included as a lien on the property owner's tax bill. Water and sewer charges and liens 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.

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

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value.

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

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

Capital Asset Type	Years
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 Inflows of Resources

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town's property, excise and other taxes; user charges, departmental revenue, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Net position and Fund Balances

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

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

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

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

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

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

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

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

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

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

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

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

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

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

K. Long-term Debt

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

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

L. Compensated Absences

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

M. Post Retirement Benefits

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

N. Use of Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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

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

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

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

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

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

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

For fiscal year 2014, the Town incurred a final budget deficit of $3,361,850 for the General Fund.

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

Unassigned fund balance:	
Free cash votes	$ 2,140,755
Prior year's encumbrances	1,221,095
	$ 3,361,850

B. Deficit Fund Balances

The following funds had deficits at June 30, 2014 as measured by the balances of unreserved fund balance.

- The Norton High School construction fund has a deficit of $573,456. The Town has a temporary note of $1,450,000. The deficit will be eliminated upon additional Massachusetts School Building Administration (MSBA) receipts and the issuance of permanent debt.

- The J.C. Solomonese Elementary School roof replacement fund, a capital project, has a deficit of $837. The Town has a temporary note of $50,000. The deficit will be eliminated upon additional MSBA receipts and the issuance of permanent debt.

- The Crane property land acquisition fund, a capital project, has a deficit of $3,200. The Town has a temporary note of $259,200. The deficit will be eliminated upon the receipt of additional funds or issuance of permanent debt.

- The Erickson property land acquisition fund, a capital project, has a deficit of $76,000. The Town has a temporary note of $220,000. The deficit will be eliminated upon the receipt of additional funds or issuance of permanent debt.

- Public safety project fund, a capital project, has a deficit of $125,000. The Town has a temporary note of $125,000. The deficit will be eliminated upon the receipt of additional funds or issuance of permanent debt.

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2014 were $18,324,323. Of these, none were exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

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

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

As of June 30, 2014, the Town had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 to 5**	**6 to 10**	**More than 10**
Debt Securities:					
U. S. treasury obligations	$ 491,009	$ -	$ 352,196	$ 138,813	$ -
U. S. government agencies	535,725	50,095	272,828	-	212,802
Corporate bonds	812,599	78,030	224,342	150,722	359,505
Money market mutual fund	500,092	500,092	-	-	-
	2,339,425	$ 628,217	$ 849,366	$ 289,535	$ 572,307
Other Investments:					
Equity securities - domestic (stocks)	4,585,918				
MMDT	189,929				
	$ 7,115,272				

Custodial Credit Risks

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's $7,115,272 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town's exposure to credit risk as of June 30, 2014 is as follows:

Related Debt Instruments	**Fair Value**	Moody's Quality Rating			**Not Rated**
		AAA	**AA2**	**A2**	
Debt Securities:					
U. S. treasury obligations	$ 491,009	$ 491,009	$ -	$ -	$ -
U. S. government agencies	535,725	535,725	-	-	-
Corporate bonds	812,599	78,030	224,342	510,227	-
Money market mutual fund	500,092	-	-	-	500,092
	$ 2,339,425	$ 1,104,764	$ 224,342	$ 510,227	$ 500,092

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are in Corporate bonds amounting to 5.05%.

B. Receivables

At June 30, 2014, receivables for the individual major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	$ 736,137	$ (30,000)	$ 706,137
Deferred property taxes	42,738	-	42,738
Tax liens	704,741	-	704,741
Taxes in litigation	1,092	-	1,092
Excise taxes	222,529	(82,000)	140,529
User charges	301	-	301
Departmental	569,054	(386,583)	182,471
Special assessments	696,965	-	696,965
Due from other governments	2,249,190	-	2,249,190
	$ 5,222,747	$ (498,583)	$ 4,724,164

At June 30, 2014, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer Fund:			
Sewer user charges	$ 329,395	$ -	$ 329,395
Water Fund:			
Water user charges	937,065	-	937,065
	$ 1,266,460	$ -	$ 1,266,460

The composition of amounts due from other governments as of June 30, 2014 for governmental funds is as follows:

Governmental Funds:		
General Fund:		
Commonwealth of Massachusetts:		
Department of Revenue:		
Veterans, blind and surviving spouses	$ 38,629	
Department of Veterans Services:		
Veterans benefits	215,662	$ 254,291
High School Construction Fund:		
Commonwealth of Massachusetts:		
Massachusetts School Building Assistance:		
Norton high school project		773,730
Nonmajor Governmental Funds:		
U. S. Department of Agriculture:		
School lunch	23,965	
U. S. Department of Justice:		
Byrne justice assistance grant	15,676	
U. S. Department of Transportation:		
Highway safety grants	2,232	
Commonwealth of Massachusetts:		
Department of Elementary and Secondary Education:		
School Lunch	741	
Special education reimbursement fund	297,425	
Executive Office of Environmental Affairs:		
Land Purchase Grants	400,000	
Executive Office of Public Safety & Homeland Security:		
State 911 support & incentive grant	21,832	
Traffic enforcement	-	
Massachusetts Highway Department:		
Chapter 90 funded projects	427,354	
Massachusetts School Building Assistance:		
J.C. Solomonese elementary school roof project	31,944	1,221,169
		$ 2,249,190

The statement of net position for the government-wide financial statements reflects an additional amount of due from other governments as follows:

Governmental Type Funds:	
Massachusetts Water Pollution Abatement Trust:	
Principal loan subsidy	$ 409,570

C. Deferred Inflows of Resources – Unavailable Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

General Fund:		
Property taxes	$ 602,137	
Deferred property taxes	42,738	
Tax liens	704,741	
Taxes in litigation	1,092	
Excise taxes	140,529	
User charges	301	
Special assessments	387,586	
Due from other governments	177,719	$ 2,056,843
Nonmajor Governmental Funds:		
Departmental	$ 86,674	
Special assessments	309,379	
Due from other governments	416,998	813,051
		$ 2,869,894

D. Capital Assets

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 7,258,532	$ 1,100,000	$ -	$ 8,358,532
Construction in Progress	23,950,515	11,513,778	(35,464,293)	-
Total capital assets not being depreciated	31,209,047	12,613,778	(35,464,293)	8,358,532
Capital assets being depreciated:				
Buildings and Renovations	41,721,927	35,873,140	-	77,595,067
Machinery, equipment and other	6,619,317	1,038,864	(256,853)	7,401,328
Infrastructure	10,324,068	198,669	-	10,522,737
Total capital assets being depreciated	58,665,312	37,110,673	(256,853)	95,519,132
Less accumulated depreciation for:				
Buildings and Renovations	24,893,323	1,504,775	-	26,398,098
Machinery, equipment and other	4,977,237	486,335	(256,853)	5,206,719
Infrastructure	2,667,873	440,898	-	3,108,771
Total accumulated depreciation	32,538,433	2,432,008	(256,853)	34,713,588
Total capital assets being depreciated, net	26,126,879	34,678,665	-	60,805,544
Total governmental activities capital assets, net	$ 57,335,926	$ 47,292,443	$ (35,464,293)	$ 69,164,076

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 348,926	$ -	$ -	$ 348,926
Total capital assets not being depreciated	348,926	-	-	348,926
Capital assets being depreciated:				
Buildings and improvements	429,819	-	-	429,819
Machinery, equipment and other	1,170,360	-	(34,877)	1,135,483
Infrastructure	29,184,958	-	-	29,184,958
Total capital assets being depreciated	30,785,137	-	(34,877)	30,750,260
Less accumulated depreciation for:				
Buildings and improvements	47,729	18,922	-	66,651
Machinery, equipment and other	998,960	69,928	(34,877)	1,034,011
Infrastructure	8,542,309	718,311	-	9,260,620
Total accumulated depreciation	9,588,998	807,161	(34,877)	10,361,282
Total capital assets being depreciated, net	21,196,139	(807,161)	-	20,388,978
Total business-type activities capital assets, net	$ 21,545,065	$ (807,161)	$ -	$ 20,737,904

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

Governmental Activities:	
General government	$ 40,700
Public safety	420,420
Public works	516,322
Education	1,355,577
Health and human services	46,060
Culture and recreation	52,929
Total depreciation expense - governmental activities	$ 2,432,008
Business-Type Activities:	
Sewer fund	$ 202,835
Water fund	604,326
Total depreciation expense - business-type activities	$ 807,161

E. Interfund Receivables, Payables and Transfers

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

	Transfers In:			
Transfers Out:	General fund	High School Construction fund	Nonmajor governmental funds	Total
General fund	$ -	$ 93,198	$ 1,176	$ 94,374
Cyrus Hicks fund	100,000	-	15,000	115,000
Nonmajor governmental funds	843,098	-	-	843,098
Business-type activities	340,970	-	-	340,970
Total transfers out	$ 1,284,068	$ 93,198	$ 16,176	$ 1,393,442

F. Leases

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

The assets, including any expiring in 2014, acquired through the capital leases are as follows:

	Governmental Activities
Asset:	
Machinery, Equipment and Other	$ 832,876
Less: Accumulated Depreciation	(184,187)
Total	$ 648,689

	Business-type Activities
Asset:	
Machinery, Equipment and Other	$ 41,022
Less: Accumulated Depreciation	(28,715)
Total	$ 12,307

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, are as follows:

Year Ending June 30,	Governmental Activities
2015	$ 182,003
2016	153,967
2017	121,321
2018	121,321
Total minimum lease payments	578,612
Less: amount representing interest	(37,486)
Present value of minimum lease payments	$ 541,126

Year Ending June 30,	Business-type Activities
2015	$ 9,301
Less: amount representing interest	(584)
Present value of minimum lease payments	$ 8,717

G. 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:

Governmental Activities Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2013	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2014
Bond Anticipation Notes:						
Fire commuication improvements	0.55%	7/25/2013	$ 187,500	$ -	$ 187,500	$ -
Norton high school construction	1.00%	12/13/2013	6,000,000	-	6,000,000	-
J.C. Solmonese elementary school roof	0.55%	5/21/2014	722,293	-	722,293	-
J.C. Solmonese elementary school roof	0.59%	5/21/2014	-	120,000	120,000	-
Municipal purpose loan	1.00%	5/21/2014	-	7,700,000	7,700,000	-
Fire commuication improvements	0.64%	7/25/2014	-	125,000	-	125,000
Land acquisitions	0.50%	11/19/2014	-	401,328	-	401,328
Municipal purpose loan	0.60%	12/12/2014	-	235,983	-	235,983
Municipal purpose loan	0.55%	3/26/2015	-	977,872	-	977,872
Norton high school construction	55.00%	3/26/2015	-	950,000	-	950,000
Total Governmental Activities			$ 6,909,793	$ 10,510,183	$ 14,729,793	$ 2,690,183

H. 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:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2014
Inside Debt:					
Land acquisition-Slattery property	3.66%	11/1/2004	11/1/2022	$ 400,000	$ 180,000
School building renovations	3.75%	11/1/2004	11/1/2023	2,100,000	1,100,000
Land acquisition	3.96%	10/1/2007	10/1/2022	500,000	290,000
School sewer pump	4.04%	10/1/2007	10/1/2017	350,000	140,000
Police station	2.38%	2/15/2011	10/1/2018	945,000	570,000
Land acquisition - school	2.38%	2/15/2011	10/1/2016	420,000	210,000
Sewer bond	2.38%	2/15/2011	10/1/2020	80,000	50,000
School feasibility study	1.96%	11/15/2011	11/15/2014	193,376	60,000
Fire truck	1.86%	11/15/2011	11/15/2016	475,000	285,000
Fire equipment	1.88%	11/15/2011	11/15/2015	250,000	120,000
Land Acquisition - Newcomb	2.81%	5/15/2014	11/15/2028	475,000	475,000
School HVAC Repairs	2.81%	5/15/2014	5/5/2026	120,000	120,000
School Roof	2.81%	5/15/2014	5/15/2029	548,370	548,370
School Technology - Hardware	2.81%	5/15/2014	5/15/2023	348,750	348,750
School Technology - Software	2.81%	5/15/2014	5/15/2018	26,250	26,250
Massachusetts Water Pollution Abatement Trust:					
Lake Winnecunnet sewer project	N/A	11/26/2002	8/1/2022	2,375,687	1,230,000
Water resource management	N/A	11/26/2002	8/1/2022	334,237	175,000
Total Inside Debt					5,928,370
Outside Debt:					
High school track/bleachers	2.38%	11/15/2011	2/15/2025	650,000	550,000
High school renovation	2.82%	11/15/2011	2/15/2031	6,550,000	5,890,000
School construction	2.81%	5/15/2014	5/15/2034	6,500,000	6,500,000
Massachusetts Water Pollution Abatement Trust:					
Title V Septic Loans - Round 1	N/A	4/29/1999	2/1/2017	199,807	33,301
Title V Septic Loans - Round 2	N/A	7/24/2003	2/1/2021	195,089	76,022
Title V Septic Loans - Round 3	N/A	8/1/2004	8/1/2023	236,799	123,465
Title V Septic Loans - Round 4	N/A	12/14/2006	7/15/2026	146,244	95,060
Title V Septic Loans - Round 5	N/A	11/15/2006	8/1/2024	184,207	112,396
Title V Septic Loans - Round 6	N/A	11/22/2010	7/15/2029	200,000	168,422
Title V Septic Loans - Round 7	N/A	11/22/2010	7/15/2029	201,502	169,687
Title V Septic Loans - Round 8	N/A	5/22/2013	1/15/2033	165,000	156,750
Total Outside Debt					13,875,103
Total Governmental Type Debt					$ 19,803,473

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, 2014
Outside Debt:					
Water fund:					
Water mains	3.99%	10/1/2007	10/1/2027	$ 3,300,000	$ 2,310,000
New water tank	3.99%	10/1/2007	10/1/2027	$ 1,700,000	1,190,000
Water mains	4.02%	8/1/2008	8/1/2028	$ 3,000,000	2,250,000
Water mains	4.02%	8/1/2008	8/1/2028	$ 5,000,000	3,750,000
Water storage facility	2.38%	2/15/2011	10/1/2020	$ 1,100,000	765,000
Total Business-type Debt					$ 10,265,000

Future Debt Service

The annual principal and interest payments to retire all governmental type fund general obligation long-term debt outstanding as of June 30, 2014, are as follows:

Year	Principal	Interest	Total
2015	$ 1,679,996	$ 584,349	$ 2,264,345
2016	1,616,663	530,940	2,147,603
2017	1,556,663	478,224	2,034,887
2018	1,375,563	431,914	1,807,477
2019	1,320,563	390,644	1,711,207
2020-2024	5,746,154	1,366,270	7,112,424
2025-2029	3,853,738	761,934	4,615,672
2030-2033	2,654,133	216,125	2,870,258
	$ 19,803,473	$ 4,760,400	$ 24,563,873

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2014, are as follows:

Year	Principal	Interest	Total
2015	$ 760,000	$ 403,097	$ 1,163,097
2016	760,000	371,590	1,131,590
2017	760,000	341,208	1,101,208
2018	760,000	310,604	1,070,604
2019	760,000	279,467	1,039,467
2020-2024	3,465,000	965,701	4,430,701
2025-2029	3,000,000	294,950	3,294,950
	$ 10,265,000	$ 2,966,617	$ 13,231,617

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental activities:					
Bond Payable:					
General obligation bonds	$ 10,455,000	$ 8,018,370	$ 1,010,000	$ 17,463,370	$ 1,463,370
Massachusetts Water Pollution Abatement Trust bonds	2,556,547	-	216,444	2,340,103	216,626
Capital lease	143,704	501,335	103,913	541,126	165,614
Compensated absences	1,701,549	221,068	-	1,922,617	814,686
OPEB liability obligation	12,088,911	3,010,461	-	15,099,372	-
Governmental activity Long-term liabilities	$ 26,945,711	$ 11,751,234	$ 1,330,357	$ 37,366,588	$ 2,660,296
Business-type activities:					
Bond Payable:					
General obligation bonds	$ 11,025,000	$ -	$ 760,000	10,265,000	$ 760,000
Capital lease	16,887	-	8,170	8,717	8,717
Compensated absences	85,662	-	1,294	84,368	55,121
OPEB liability obligation	341,381	118,804	-	460,185	-
Governmental activity Long-term liabilities	$ 11,468,930	$ 118,804	$ 769,464	$ 10,818,270	$ 823,838

Advance Refunding – February 15, 2011

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

Massachusetts Water Pollution Abatement Trust (MWPAT)

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of $4,238,563 and interest costs of $1,795,889 for ten loans which the Town has borrowed from MWPAT. The gross amount outstanding at June 30, 2014 for principal and interest combined for the loans is $2,702,638. The net repayments, including interest, are scheduled to be $2,040,800. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2014 principal and interest subsidies totaled $98,377.

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, 2014 totaled $5,928,370.

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, 2014:

Proposed and Revised Equalized Valuation-Real Estate and Personal Property (2014)		$ 2,041,345,000
Debt Limit: 5 % of Equalized value		102,067,250
Total Debt Outstanding	$ 30,068,473	
Less: Debt Outside Debt Limit	(24,140,103)	5,928,370
Inside Debt Excess Borrowing Capacity at June 30, 2014		$ 96,138,880

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as of June 30, 2014 and are not reflected in the Town's financial statements are as follows:

Date of Town Meeting	Purpose	Amount
10/8/2003	Repair, Replacement and Upgrading of Septic Systems or Household Connections to Sanitary Sewer System pursuant to Agreements between Board of Health and Property Owners	$ 433,498
6/6/2011	Renovating, Constructing, and Improvements and Expansion of Norton High School	19,490,231
5/14/2012	Elementary School repairs and roof replacement	202,707
10/29/2012	Acquisition of Erikson property	5,000
10/7/2013	Land Acquisition - Crane Property	140,800
		$ 20,272,236

Overlapping Debt

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

	Current Year's Long Term Debt	Town's Estimated Share	Town's Estimated Indirect Debt
Southeastern Regional Vocational School District:	$ 5,670,000	8.60%	$ 487,620

Additionally, the Southeastern Regional Vocational School District has temporary notes outstanding of $1,127,000 for a school roof renovation project.

I. Fund Balances

The following is a summary of the Governmental Fund fund balances at the year ended June 30, 2014:

	General Fund	Cyrus Hicks Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent funds	$ -	$ -	$ -	$ 253,500	$ 253,500
Restricted:					
Federal, state and local grants	-	-	-	490,565	490,565
School revolving funds	-	-	-	397,222	397,222
Revolving funds	-	-	-	197,396	197,396
Septic loans	-	-	-	903,529	903,529
Debt service	-	-	-	261,450	261,450
Donations and gifts	-	-	-	309,348	309,348
Permanent funds	-	-	-	98,061	98,061
Cyrus Hicks fund	-	6,925,343	-	-	6,925,343
Capital project funds	-	-	-	143,926	143,926
Other	-	-	-	26,331	26,331
	-	6,925,343	-	2,827,828	9,753,171
Committed:					
Ambulance	-	-	-	960,581	960,581
Dog fund	-	-	-	93,604	93,604
	-	-	-	1,054,185	1,054,185
Assigned:					
General government	445,518	-	-	-	445,518
Public safety	53,569	-	-	-	53,569
Public works	105,653	-	-	-	105,653
Education	575,278	-	-	-	575,278
Health and human services	11,703	-	-	-	11,703
Employee benefits and insurance	8,930	-	-	-	8,930
Subsequent year's budget	1,301,756	-	-	-	1,301,756
	2,502,407	-	-	-	2,502,407
Unassigned:					
General fund	4,221,044	-	-	-	4,221,044
High school construction fund	-	-	(573,456)	-	(573,456)
Capital projects:					
Land acquisitions	-	-	-	(79,200)	(79,200)
School roof replacement	-	-	-	(837)	(837)
Public safety projects	-	-	-	(125,000)	(125,000)
	4,221,044	-	(573,456)	(205,037)	3,442,551
Total Governmental fund balances	$ 6,723,451	$ 6,925,343	$ (573,456)	$ 3,930,476	$ 17,005,814

J. 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, 2014 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	$ 1,036,038
Capital improvement stabilization fund	298,041
	$ 1,334,079

4. OTHER INFORMATION

A. Risk Management

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

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

B. Contingent Liabilities

Litigation

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

Federal Financial Assistance

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

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

C. Other Post Employment Benefits Payable

GASB Statement No. 45

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

In addition to providing pension benefits, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. There are approximately 787 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

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 2014 fiscal year, total Town premiums plus implicit costs for the retiree medical program are $1,935,630.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 3,971,986
Interest on net OPEB obligation	497,212
Adjustment to annual required contribution	(691,197)
Amortization of actuarial (Gain)/Loss	1,296,894
Annual OPEB cost (expense)	5,074,895
Contributions made during the fiscal year	(1,935,630)
Contributions made to OPEB Trust	(10,000)
Increase in net OPEB obligation	3,129,265
Net OPEB Obligation - beginning of year	12,430,292
Net OPEB Obligation - end of year	$ 15,559,557

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

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	$ 5,074,895	38.3%	$ 15,559,557
6/30/2013	$ 4,112,134	47.6%	$ 12,430,292
6/30/2012	$ 3,850,962	48.1%	$ 10,273,519

Funded Status and Funding Process

As of July 1, 2013, the most recent valuation date, the plan was 0.07% funded. The actuarial liability for benefits was $54,987,938 and the actuarial value of assets was $41,052, resulting in a total unfunded actuarial accrued liability (UAAL) of $54,946,886. The covered payroll (annual payroll of active employees covered by the plan) was $27,113,884 and the ratio of the UAAL to the covered payroll was 202.7%.

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.

Amounts determined regarding the funded status of the plan and the Annual Required Contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Town OPEB actuarial valuation used the projected unit credit actuarial cost method. The OPEB liability is currently unfunded and the actuarial assumptions include a 4.00% rate of return on invested assets. The actuarial assumptions also include an expected payroll growth of 3.00% per annum and a general inflation of 2.50% per annum. Medical and drug cost trend is at an ultimate level of 5% per year.

The unfunded actuarial accrued liability is being amortized over 30 years on a projected unit credit actuarial cost method. The remaining amortization period at July 1, 2014 is 23 years.

D. Pension Plan

Plan Description

The Town, as a member of the Bristol County Contributory Retirement System (the System), participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Bristol County Retirement

Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers' Retirement Board and are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately $5,655,118 for the fiscal year ending June 30, 2014, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

The Town has approximately 236 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 1987 must be approved by the Bristol County Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 645 County Street, Taunton, Massachusetts.

Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32B of the Massachusetts general laws governs the contributions of plan members and the Town.

The Town's contribution to the System for the fiscal years ended June 30, 2014, 2013, and 2012 is shown below, which equaled its required contribution for each fiscal year.

Year Ended June 30	Town's Contribution
2014	$ 2,003,483
2013	$ 2,087,826
2012	$ 2,051,982

The last actuarial valuation was prepared by Sherman Actuarial Services, LLC as of January 1, 2012. 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 8.0% compounded annually, (b) projected salary, including longevity, increases of 3.0% per year per member.

The total unfunded actuarial liability applicable to the entire System's employees at January 1, 2012 is as follows:

Actuarial Accured Liability	$ 776,734,414
Less: Assets	460,572,977
Unfunded Actuarial Liability	$ 316,161,437

The Town's portion of such liability is approximately 7.19% or $22,732,007.

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 Contributory 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.

E. Implementation Of New GASB Pronouncements

During fiscal year 2014, the GASB implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement introduced the concept of deferred outflows and deferred inflows to the financial statements. As such, certain items that were previously reported as assets and liabilities were reclassified to deferred outflows and deferred inflows.

F. Future GASB Pronouncements

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as an asset/(liability) and revenue/(expense), the Town's portion of the Bristol County Retirement System actuarial accrued liability.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF NORTON, MASSACHUSETTS
Required Supplementary Information
Schedule of Funding Progress and Employer Contributions
Other Post-Employment Benefit Plan
Year Ended June 30, 2014

Schedule of Funding Progress

Other Post Employment Benefits						
Actuarial Valuation Date	**Actuarial Value of Assets (A)**	**Actuarial Accrued Liability (AAL) Entry Aid (B)**	**Unfunded AAL (UAAL) (B-A)**	**Funded Ratio (A/B)**	**Covered Payroll (C)**	**UAAL as a Percentage of Covered Payroll ((B-A)/C)**
7/1/2013	$ 41,052	$ 54,987,938	$ 54,946,886	0%	$ 27,113,884	202.7%
7/1/2012	$ 1,000	$ 53,342,080	$ 53,341,080	0%	$ 23,596,845	226.1%
7/1/2011	$ 1,000	$ 51,354,647	$ 51,353,647	0%	$ 22,909,558	224.2%

Schedule of Contribution Funding

Other Post Employment Benefits			
Fiscal Year Ended June 30	**Annual OPEB Cost**	**Actual Contributions Made**	**Percentage Contributed**
2014	$ 5,074,895	$ 1,945,630	38.3%
2013	$ 4,112,134	$ 1,955,361	47.6%
2012	$ 3,850,962	$ 1,851,008	48.1%

The information presented in the above Required Supplementary Schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the Notes to Basic Financial Statements.

Actuarial Methods:

Valuation date	July 1, 2013
Actuarial cost method	Projected Unit Credit Actuarial Cost method
Amortization method	30-year amortization payments

Actuarial Assumptions:

Investment rate of return	4.00%
Projected salary increases	3.00%
Cost of living adjustments	3.00% for the first $16,000 of COLA base
Medical/drug cost trend rate	5.00% ultimate trend rate per year

Plan Membership:

Current active members	441
Current retirees, beneficiaries and dependents	346
Total	787

TOWN OF NORTON, MASSACHUSETTS
Required Supplementary Information
Schedule of Funding Progress and Employer Contributions
Bristol County Contributory Retirement System
For the Year Ended June 30, 2014

Schedule of Funding Progress

Pension System						
Bristol County Contributory Retirement System						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2012	$ 460,572,977	$ 776,734,414	$ 316,161,437	59.3%	$ 137,231,288	230.4%
1/1/2010	$ 396,683,194	$ 697,604,462	$ 300,921,268	56.9%	$ 158,880,971	189.4%
1/1/2007	$ 390,706,111	$ 593,767,462	$ 203,061,351	65.8%	$ 146,988,086	138.1%

Schedule of Funding Progress

Pension System					
Britol County Contributory Retirement System				Town	
Fiscal Year Ended	Annual Required Contributions	Actual Contributions (A)	Percentage Contributed	Actual Contributions (B)	Percentage of System-Wide Actual Contributions (B/A)
6/30/2014	$ 28,405,027	$ 28,405,027	100.00%	$ 2,042,026	7.19%
6/30/2013	$ 27,529,708	$ 27,529,708	100.00%	$ 2,129,198	7.73%
6/30/2012	$ 26,514,703	$ 26,514,703	100.00%	$ 2,051,982	7.74%

The information presented in the above Required Supplementary Schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the Notes to Basic Financial Statements.

Actuarial Methods:

Valuation date	January 1, 2013
Actuarial cost method	Individual entry age actuarial cost method
Asset valuation method	The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the rate of return during that year (8.0%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five year period. This preliminary actuarial value is not allowed to differ from the market value of assets by more than 20%.

Actuarial Assumptions:

Investment rate of return	8.00%
Projected salary increase	3.00%
General inflation assumption	2.50%

Plan Membership:

Active participants	3,246
Disabled	282
Vested	657
Retired participants and beneficiaries receiving benefits	1,957
Total	6,142

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, 2014

	Fund Balances July 1, 2013	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2014
Special Revenue:					
Federal and State Grants:					
School Grants	$ 53,376	$ 1,152,903	$ 1,190,323	$ (5)	$ 15,951
Arts Lottery Council Grant	4,083	5,495	5,567	-	4,011
Council on Aging Grants	12,174	20,284	25,652	-	6,806
Extended Polling Hours	-	7,939	-	-	7,939
Highway Grants	26,193	198,682	198,669	-	26,206
Library Grants	-	12,960	12,960	-	-
Other Grants	-	1,558	-	-	1,558
Public Safety Grants	28,839	99,007	123,757	-	4,089
Schools:					
School Lunch Program	56,081	605,411	614,148	-	47,344
School Lunch Commodities	-	38,034	38,034	-	-
School Private Grants	1,164	3,600	4,676	-	88
Revolving Accounts	440,576	694,059	784,757	-	349,878
State Special Education Reimbursement	533,348	1,189,697	1,301,165	-	421,880
Other:					
Ambulance Fund	909,393	685,012	-	(633,824)	960,581
Bristol County Homeland Security Grants	565	-	-	-	565
Clean Energy Choice Grant	1,470	-	-	-	1,470
Compost Bin Recycling Bin Revolving	996	200	-	-	1,196
Conservation Outside Consultant Fees	12,544	17,000	21,862	-	7,682
Dog Fund	85,708	24,596	-	(16,700)	93,604
Forestry Revolving	1,412	-	-	-	1,412
Gifts and Donations	279,660	154,355	139,668	15,000	309,347
Hazardous Materials Revolving	2,225	14,655	1,657	-	15,223
Insurance Reimbursement	44,345	28,053	19,045	(48,063)	5,290
Jackson Property Fees	27,809	3,380	1,750	-	29,439
Law Enforcement Fund	53,408	4,957	4,997	-	53,368
Parks and Recreation Revolving	5,183	26,244	25,890	-	5,537
Planning Board Review Fund	39,220	1,079	1,504	-	38,795
Police Restitution	528	-	470	-	58
Sub-total Special Revenue Funds - Page 60	$ 2,620,300	$ 4,989,160	$ 4,516,551	$ (683,592)	$ 2,409,317

TOWN OF NORTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Fund Balances July 1, 2013	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2014
Continued from Page 60	$ 2,620,300	$ 4,989,160	$ 4,516,551	$ (683,592)	$ 2,409,317
Other (continued):					
Premium on Sale of Bonds	-	378,731	60,007	(57,274)	261,450
Public Safety Outside Detail Funds	-	617,728	617,728	-	-
Recycling Revolving	18,899	4,570	6,045	-	17,424
Septic Program Funds	871,254	92,275	-	(60,000)	903,529
Wetlands Protection Fund	28,388	4,639	11,498	(1,132)	20,397
Zoning Board of Appeals Outside Consultant Fees	12,946	34,016	40,039	-	6,923
Conservation Fund	2,076	1	65	-	2,012
Sale of Pines Fund	18,500	10	-	-	18,510
War Memorial Fund	464	-	-	-	464
Total Special Revenue Funds	3,572,827	6,121,130	5,251,933	(801,998)	3,640,026
Capital Projects:					
Crane Property Land Acquisition	-	396,800	400,000	-	(3,200)
Erickson Property Acquisition	-	149,000	225,000	-	(76,000)
High School Feasibility Study	9,636	-	-	-	9,636
High School Track Bleachers	44,926	-	35,122	-	9,804
J.C. Solmonese Elementary School Roof Replacement	(158,618)	479,193	869,782	548,370	(837)
Land Purchase	9,945	-	-	(9,945)	-
New Comb Land Purchase	-	-	475,000	475,000	-
New Middle School	3,793	-	-	(3,793)	-
Other Projects	29,945	-	-	(4,915)	25,030
Other School Projects	-	-	298,658	375,000	76,342
Public Safety Projects	(181,229)	-	-	56,229	(125,000)
School Air Conditioning and Ventilation	-	-	110,190	120,000	9,810
School Sewer Main	13,304	-	-	-	13,304
Total Capital Projects Fund	$ (228,298)	$ 1,024,993	$ 2,413,752	$ 1,555,946	$ (61,111)

TOWN OF NORTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Fund Balances July 1, 2013	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2014
Perpetual Permanent Funds:					
Cemetery Funds	$ 235,500	$ 6,000	$ -	$ -	$ 241,500
Library Fund	2,000	-	-	-	2,000
Wetherell Athletic Fund	10,000	-	-	-	10,000
Total Perpetual Permanent Funds	247,500	6,000	-	-	253,500
Permanent Funds:					
Cemetery Funds	100,675	154	2,994	-	97,835
Library Fund	-	22	22	-	-
Wetherell Athletic Fund	221	5	-	-	226
Total Permanent Funds	100,896	181	3,016	-	98,061
Total - Non-Major Governmental Funds	$ 3,692,925	$ 7,152,304	$ 7,668,701	$ 753,948	$ 3,930,476

TOWN OF NORTON, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES AND DEFERRED PROPERTY TAXES
JULY 1, 2013 TO JUNE 30, 2014

	Uncollected Taxes July 1, 2013	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2014	Uncollected Taxes Per Detail June 30, 2014
Real Estate Taxes:						
Levy of 2014	$ -	$ 29,098,879	$ 232,027	$ 28,225,068	$ 641,784	$ 641,784
Levy of 2013	383,416	-	86,035	293,885	3,496	3,496
Levy of 2012	1,759	-	25,645	(23,886)	-	-
Prior Years	53,436	-	52,820	-	616	438
	438,611	29,098,879	396,527	28,495,067	645,896	645,718
Personal Property Taxes:						
Levy of 2014	-	807,132	15,187	771,071	20,874	20,874
Levy of 2013	19,988	-	-	1,886	18,102	18,102
Levy of 2012	14,787	-	-	-	14,787	14,787
Levy of 2011	13,684	-	-	-	13,684	13,684
Levy of 2010	13,204	-	-	-	13,204	13,204
Prior Years	9,590	-	-	-	9,590	9,590
	71,253	807,132	15,187	772,957	90,241	90,241
Total Real Estate and Personal Property Taxes	$ 509,864	$ 29,906,011	$ 411,714	$ 29,268,024	$ 736,137	$ 735,959
Deferred Property Taxes	$ 38,860	$ 5,801	$ -	$ 1,923	$ 42,738	$ 42,738

TOWN OF NORTON, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2013 TO JUNE 30, 2014

	Uncollected Taxes July 1, 2013	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2014	Uncollected Taxes Per Detail June 30, 2014
Motor Vehicle Excise Taxes:						
Levy of 2014	$ -	$ 2,274,926	$ 50,708	$ 2,086,173	$ 138,045	$ 138,045
Levy of 2013	101,557	440,643	24,105	477,026	41,069	41,069
Levy of 2012	34,411	854	1,793	21,760	11,712	11,712
Levy of 2011	13,041	51	326	4,614	8,152	8,152
Levy of 2010	9,316	-	34	1,441	7,841	7,841
Prior Years	89,071	-	71,628	1,733	15,710	15,710
Total Motor Vehicle Excise Taxes	$ 247,396	$ 2,716,474	$ 148,594	$ 2,592,747	$ 222,529	$ 222,529

TOWN OF NORTON, MASSACHUSETTS
SCHEDULE OF TAX LIENS AND TAXES IN LITIGATION
JULY 1, 2013 TO JUNE 30, 2014

	Uncollected Accounts July 1, 2013	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2014	Uncollected Accounts Per Detail June 30, 2014
Tax Liens	$ 812,647	$ 79,144	$ -	$ 187,050	$ 704,741	$ 670,041
Taxes in Litigation	$ 1,092	$ -	$ -	$ -	$ 1,092	$ 1,092