

**TOWN OF NORTON, MASSACHUSETTS**

**Report on the Examination of Basic Financial Statements**

**For the Year Ended June 30, 2018**

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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, 2018, and the related notes to the financial statements, which collectively comprise the Town of Norton, Massachusetts' 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, 2018, 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, pension plan and other post employment benefit plan schedules as listed on the table of contents 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 February 6, 2019, 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 and Associates, LLC*

Scanlon & Associates, LLC  
South Norton, Massachusetts

February 6, 2019

## **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, 2018. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the Town's financial performance.

### Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$6,137,793 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$8,093,141, or a decrease of \$1,955,348 (24%).
- As required by Government Accounting Standards Board (GASB) Statement No. 75, in fiscal year 2018, the Town recognized an increase to the Other Post employment Benefits (OPEB) obligation payable of \$36,725,869 on the statement of net position from the previous year, see Note 5.
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$24,487,785, a decrease of \$242,371 (1%).
- The General Fund's total fund balance increased \$975,601 (9%) to \$11,512,747. The ending General fund balance is 18% of revenues and transfers in; and 18% of expenditures and transfers out.
- The total liabilities of the Town increased by \$5,320,057 (4%) to \$124,880,045 during the fiscal year. This was mainly attributed to net increases in warrants and accounts payable of \$963,730, in bond anticipation notes payable of \$2,046,165 and in the other post employment benefit (OPEB) liability of \$6,348,875; and net decreases in net bonds and leases payable of \$2,745,193 and in the net pension liability of \$1,507,421.
- The Town had General Fund free cash certified by the Department of Revenue in the amount of \$3,340,583. The key factors that attributed to the free cash amount for fiscal year 2018 were unexpended/unencumbered appropriations of \$1,016,300, excess over budget state and local receipts of \$1,812,650 and prior year free cash not appropriated of \$316,250.
- The Town's enterprise funds certified free cash are as follows:
  - Sewer fund      \$ 1,661,261.
  - Water fund      \$ 2,714,075.

### 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, deferred outflows of resources, liabilities and deferred inflows of resources with the net difference between them 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		
	2018	2017	Change
<b>Assets:</b>			
Current assets	\$ 31,315,192	\$ 29,321,211	\$ 1,993,981
Noncurrent assets (excluding capital assets)	419,707	579,736	(160,029)
Capital assets	64,381,752	64,585,450	(203,698)
<b>Total assets</b>	<b>96,116,651</b>	<b>94,486,397</b>	<b>1,630,254</b>
<b>Deferred Outflows of Resources</b>	<b>7,442,199</b>	<b>4,054,549</b>	<b>3,387,650</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt and leases)	3,005,408	1,915,650	1,089,758
Current debt including leases	3,518,396	1,963,572	1,554,824
Noncurrent liabilities (excluding debt and leases)	89,095,951	84,384,790	4,711,161
Noncurrent debt including leases	15,017,968	16,696,913	(1,678,945)
<b>Total liabilities</b>	<b>110,637,723</b>	<b>104,960,925</b>	<b>5,676,798</b>
<b>Deferred Inflows of Resources:</b>			
Deferred outflows related to pensions	<b>2,734,973</b>	<b>518,422</b>	<b>2,216,551</b>
<b>Net Position:</b>			
Net investment in Capital assets	46,870,564	47,007,766	(137,202)
Restricted	12,842,415	12,948,831	(106,416)
Unrestricted	(69,526,825)	(66,894,998)	(2,631,827)
<b>Total net position</b>	<b>\$ (9,813,846)</b>	<b>\$ (6,938,401)</b>	<b>\$ (2,875,445)</b>

	Business-Type Activities		
	2018	2017	Change
<b>Assets:</b>			
Current assets	\$ 8,509,507	\$ 7,820,018	\$ 689,489
Capital assets	21,467,347	21,573,574	(106,227)
<b>Total assets</b>	<b>29,976,854</b>	<b>29,393,592</b>	<b>583,262</b>
<b>Deferred Outflows of Resources</b>	<b>427,082</b>	<b>271,761</b>	<b>155,321</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	328,539	369,112	(40,573)
Current debt	1,234,280	903,307	330,973
Noncurrent liabilities (excluding debt)	3,333,962	3,075,223	258,739
Noncurrent debt	9,345,541	10,251,421	(905,880)
<b>Total liabilities</b>	<b>14,242,322</b>	<b>14,599,063</b>	<b>(356,741)</b>
<b>Deferred Inflows of Resources:</b>			
Deferred outflows related to pensions	<b>209,975</b>	<b>34,748</b>	<b>175,227</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	10,887,526	10,418,846	468,680
Restricted	792,956	1,181,110	(388,154)
Unrestricted	4,271,157	3,431,586	839,571
<b>Total net position</b>	<b>\$ 15,951,639</b>	<b>\$ 15,031,542</b>	<b>\$ 920,097</b>



## Statement of Activities Highlights

	Governmental Activities		
	2018	2017	Change
<b>Program Revenues:</b>			
Charges for services	\$ 4,779,130	\$ 6,024,419	\$ (1,245,289)
Operating grants and contributions	23,179,315	22,658,255	521,060
Capital grants and contributions	1,081,684	557,984	523,700
<b>General Revenues:</b>			
Property taxes	35,395,791	33,841,616	1,554,175
Motor vehicle excise and other taxes	3,081,008	2,923,319	157,689
Hotel room occupancy and meals taxes	346,804	348,246	(1,442)
Penalties and interest on taxes	327,800	262,509	65,291
Nonrestricted grants	2,189,940	2,176,960	12,980
Unrestricted investment income	(25,359)	471,591	(496,950)
Gain/(Loss) on Sale of Capital Assets	-	247,155	(247,155)
Miscellaneous	10,591	24,228	(13,637)
<b>Total revenues</b>	<b>70,366,704</b>	<b>69,536,282</b>	<b>830,422</b>
<b>Expenses:</b>			
General government	2,817,060	2,148,426	668,634
Public safety	9,841,410	9,114,657	726,753
Public works	1,966,933	1,819,824	147,109
Education	34,591,037	33,287,304	1,303,733
Health and human services	651,812	670,022	(18,210)
Culture and recreation	596,739	579,955	16,784
Employee benefits and insurance	20,638,695	19,595,972	1,042,723
State assessments	2,025,559	1,978,353	47,206
Interest	559,190	580,908	(21,718)
<b>Total expenses</b>	<b>73,688,435</b>	<b>69,775,421</b>	<b>3,913,014</b>
<b>Contributions to permanent funds</b>	<b>2,600</b>	<b>6,400</b>	<b>(3,800)</b>
<b>Transfers</b>	<b>443,686</b>	<b>446,518</b>	<b>(2,832)</b>
<b>Change in net position</b>	<b>(2,875,445)</b>	<b>213,779</b>	<b>(3,089,224)</b>
<b>Net position - beginning of year</b>	<b>(6,938,401)</b>	<b>(7,152,180)</b>	<b>213,779</b>
<b>Net position - end of year</b>	<b>\$ (9,813,846)</b>	<b>\$ (6,938,401)</b>	<b>(2,875,445)</b>

	Business-Type Activities		
	2018	2017	Change
<b>Program Revenues:</b>			
Charges for services	\$ 5,389,157	\$ 5,126,042	\$ 263,115
Operating grants and contributions	44,950	13,145	31,805
<b>Total revenues</b>	<b>5,434,107</b>	<b>5,139,187</b>	<b>294,920</b>
<b>Expenses:</b>			
Sewer	1,358,270	1,208,342	149,928
Water	2,712,054	2,594,746	117,308
<b>Total expenses</b>	<b>4,070,324</b>	<b>3,803,088</b>	<b>267,236</b>
<b>Transfers</b>	<b>(443,686)</b>	<b>(446,518)</b>	<b>2,832</b>
<b>Change in net position</b>	<b>920,097</b>	<b>889,581</b>	<b>30,516</b>
<b>Net position - beginning of year</b>	<b>15,031,542</b>	<b>14,141,961</b>	<b>889,581</b>
<b>Net position - end of year</b>	<b>\$ 15,951,639</b>	<b>\$ 15,031,542</b>	<b>\$ 920,097</b>

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,137,793 at the close of fiscal year 2018.

Net position of \$57,758,090 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, \$13,635,371, represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$65,255,668).

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 category in the governmental activities and for the government as a whole. The unrestricted governmental activities and government as a whole resulted in a negative balance mainly due to the accrual of the OPEB obligation and net pension liabilities that are required under GASB to be recognized in the Town's financial statements. These liabilities are presented on the statement of net position.

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 decreased by \$2,875,445 (41%) during the current fiscal year. The key elements of the decrease in net position for fiscal year 2018 was attributed to the decreases in recognizing the net change in this year's OPEB obligation of \$6,171,165 and in the deferred outflows/(inflows) of resources related to pensions of \$1,660,056; and the increases in the net debt and lease activity of \$1,841,886, in the changes to the deferred outflows/(inflows) of resources related to OPEB of \$2,831,155 and in the net pension liability of \$1,595,633.

There was an increase of \$920,097 (6%) in net position reported in connection with the sewer and water business-type activities. Of this, there were increases of \$491,695 attributed to the sewer department and \$428,402 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 \$24,478,785, a decrease of \$242,371 (1%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance – \$274,200 (1%).
- Restricted fund balance – \$11,536,765 (47%).
- Committed fund balance – \$2,081,736 (9%).
- Assigned fund balance – \$5,165,379 (21%).
- Unassigned fund balance – \$5,429,705 (22%).

At the end of the fiscal year, the General Fund reported a total fund balance of \$11,512,747 increasing \$975,601 (9%) from the prior year. Of the \$11,512,747, the unassigned amount is \$6,347,368 (55%) and the assigned amount is \$5,165,379 (45%). General fund revenues were \$1,163,936 (2%) more than the prior fiscal year and expenditures also increased by \$3,378,569 (6%). Other activity in the General Fund consisted of net transfers from other funds of \$1,720,094.

The main components of the increases in general fund revenues as compared to the prior year related to increases in property taxes in the amount of \$1,750,046 (5%) and in intergovernmental – “on behalf” payments of \$379,317 (6%) and a decrease in licenses, permits and fees of \$1,437,478 (51%) (mainly in inspection permits as there was a large construction project in the previous year).

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

- Increase in Public safety expenditures of \$779,567 (10%).
- Increase in Education expenditures of \$1,570,739 (6%).
- Increase in Employee benefits and insurance of \$834,484 (5%).

The *Cyrus Hicks fund* is the accumulation of resources over many years and has a balance of \$7,876,889 at the end of the fiscal year. The fund balance decreased by \$314,138 (4%). This amount was attributed to interest of \$610,540, unrealized gain/(loss) of (\$747,178), expenditures of \$7,500 and transfers to the general fund of \$100,000 and nonmajor governmental funds of \$70,000.

**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 \$4,746,020 used in the financing and operations of the Town's sewer system. The sewer fund shows an increase of \$491,695 (12%) in total operations. This change was mainly attributed to operating revenues exceeding operating expenses by \$610,175, interest income of \$4,294, interest expense of \$82,618 and net transfers out to the general fund of \$40,156. Operating revenues increased by \$350,094 (23%) and operating expenses also increased by \$83,645 (7%) from the prior year.

The *Water Fund* has accumulated a fund balance of \$11,205,619 used in the financing and operations of the Town's water system. The water fund shows an increase of \$428,402 (4%) in total operations. This change resulted from operating revenues exceeding operating expenses by \$1,088,402, interest income of \$40,656, interest expense of \$297,126 and transfers out to the general fund of \$403,530. Operating revenues decreased by \$86,979 (2%) while operating expenses increased by \$153,883 (7%) from the prior year.

### **General Fund Budgetary Highlights**

The final general fund budget for fiscal year 2018 was \$61,541,405. This was an increase of \$4,719,482 (8%) over the previous year's budget.

There was an increase of \$2,929,852 between the original budget and the total final amended budget. The change is attributed to votes made at various Special Town Meetings for various budget operating line items.

General fund expenditures were less than budgeted by \$4,764,798. Of the \$4,764,798 in under budget expenditures, \$3,748,496 has been carried over to fiscal year 2019.

There was a negative variance in state assessments of \$130,689 due to lower assessments in the school choice sending tuitions of \$32,785 and in charter school sending tuitions of \$97,904 than actual payments.

Overall the variance with the final budget was a positive \$2,959,810 consisting of a revenue surplus of \$1,943,508 and an appropriation surplus of \$1,016,302.

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

**Capital Assets.** The Town's investment in capital assets for its governmental and business-type activities amounts to \$64,381,752 and \$21,467,347, 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:

- Property purchase for \$481,500.
- Dam improvements for \$55,515.
- Rail Trail design and improvements for \$103,282.
- Police vehicle purchases for \$94,397.
- Fire Department vehicle purchases for \$422,500.
- Highway vehicle and equipment purchases for \$197,133.
- Road improvements/infrastructure for \$1,047,108.
- School Buildings improvements for \$304,583.
- Library heating and air conditioning for \$209,686.

Major capital acquisitions during the current fiscal year in the business-type funds included the following:

In the Sewer Fund:

- Sewer infrastructure improvements for \$487,752.

In the Water Fund:

- Water infrastructure improvements for \$228,801.

**Debt Administration.** The Town's outstanding governmental long-term debt, as of June 30, 2018, totaled \$16,555,257, of which \$12,035,000 is for various school building renovations, \$585,000 is for various land acquisitions, \$735,000 is for sewer projects, \$565,000 for the water management projects, \$40,000 is for departmental vehicles and equipment, \$427,196 is for the building improvements, \$380,000 is for a rail trail project, \$815,000 is for Dam improvements, \$235,000 is for landfill capping and \$738,061 is for the Title V septic loan projects.

The business-type funds outstanding long-term debt totaling \$10,251,421 consists of \$3,026,421 in sewer debt and \$7,225,000 which relates to water projects that are fully supported by the rates.

The governmental activities currently have \$1,717,765 in bond anticipation notes outstanding for various projects.

The Town has capital governmental leases for financing the acquisition of a fire truck, highway vehicles and equipment and school vehicles. The last lease is due in 2022. The Town currently owes \$280,891 on these leases consisting of \$263,342 in principal and \$17,549 in interest.

Please refer to notes 3D, 3F, 3G and 3H for further discussion for further discussion of the major capital, 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, 2018 do not reflect the fiscal year 2019 Town Meeting action except for the free cash and capital stabilization fund amounts used to fund the 2019 budget. The Annual Town Meeting on May 14, 2018 authorized a fiscal year 2019 operating and capital budget as follows:

From the tax levy		\$	54,211,930
From sewer receipts			1,546,269
From water receipts	\$	3,308,336	
From water retained earnings		53,275	3,361,611
From Other Available Funds:			
<b>General Fund:</b>			
Unassigned fund balance:			
Free cash		695,000	
Continuing Appropriations		200,000	895,000
<b>Capital improvement stabilization fund</b>			721,883
<b>Cyrus Hicks fund</b>			100,000
<b>Non-major Governmental Funds:</b>			
Ambulance fund		820,000	
Dog fund		10,000	
Premium on Sale of Bonds		17,665	
Septic repair program funds		60,000	
Wetlands protection fund		5,000	912,665
		\$	<u>61,749,358</u>

### **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF NORTON, MASSACHUSETTS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
CURRENT:			
Cash and Cash Equivalents	\$ 16,687,585	\$ 7,118,762	\$ 23,806,347
Investments	10,712,914	-	10,712,914
Receivables, net of allowance for uncollectibles:			
Property Taxes	680,682	-	680,682
Deferred Property Taxes	61,686	-	61,686
Tax Liens	602,495	-	602,495
Taxes in Litigation	1,092	-	1,092
Excise Taxes	409,997	-	409,997
User Charges	-	1,390,745	1,390,745
Departmental	315,499	-	315,499
Special Assessments	140,065	-	140,065
Due from Other Governments	1,703,177	-	1,703,177
Total current assets	31,315,192	8,509,507	39,824,699
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	233,235	-	233,235
Due from Other Governments	186,472	-	186,472
Capital Assets, net of accumulated Depreciation			
Nondepreciable	9,234,258	786,741	10,020,999
Depreciable	55,147,494	20,680,606	75,828,100
Total noncurrent assets	64,801,459	21,467,347	86,268,806
<b>Total Assets</b>	<b>96,116,651</b>	<b>29,976,854</b>	<b>126,093,505</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	4,611,044	354,008	4,965,052
Deferred Outflows Related to OPEB	2,831,155	73,074	2,904,229
	7,442,199	427,082	7,869,281
<b>LIABILITIES</b>			
CURRENT:			
Warrants and Accounts Payable	1,109,978	96,688	1,206,666
Accrued Payroll	493,748	30,284	524,032
Payroll Withholdings	394,072	-	394,072
Accrued Interest	81,809	131,170	212,979
Other	123,956	-	123,956
Compensated Absences	801,845	70,397	872,242
Bond Anticipation Notes Payable	1,717,765	328,400	2,046,165
Bonds and Leases Payable	1,800,631	905,880	2,706,511
Total current liabilities	6,523,804	1,562,819	8,086,623
NONCURRENT:			
Compensated Absences	1,515,071	53,095	1,568,166
OPEB Obligation Payable	67,559,554	1,743,750	69,303,304
Net Pension Liability	20,021,326	1,537,117	21,558,443
Bonds and Leases Payable	15,017,968	9,345,541	24,363,509
Total noncurrent liabilities	104,113,919	12,679,503	116,793,422
<b>Total Liabilities</b>	<b>110,637,723</b>	<b>14,242,322</b>	<b>124,880,045</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions	2,734,973	209,975	2,944,948
<b>NET POSITION</b>			
Net Investment in Capital Assets	46,870,564	10,887,526	57,758,090
Restricted for:			
Capital Projects	1,582,933	792,956	2,375,889
Federal & State Grants	1,172,206	-	1,172,206
Permanent Funds:			
Expendable	150,252	-	150,252
Nonexpendable	274,200	-	274,200
Other Purposes	9,662,824	-	9,662,824
Unrestricted	(69,526,825)	4,271,157	(65,255,668)
<b>Total Net Position</b>	<b>\$ (9,813,846)</b>	<b>\$ 15,951,639</b>	<b>\$ 6,137,793</b>

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

**TOWN OF NORTON, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	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
<b>Governmental Activities:</b>							
General Government	\$ 2,817,060	\$ 328,318	\$ 100,081	\$ 524,269	\$ (1,864,392)	\$ -	\$ (1,864,392)
Public Safety	9,841,410	2,860,227	197,083	-	(6,784,100)	-	(6,784,100)
Public Works	1,966,933	21,204	146	557,415	(1,388,168)	-	(1,388,168)
Education	34,591,037	1,416,871	16,178,138	-	(16,996,028)	-	(16,996,028)
Health and Human Services	651,812	127,792	185,172	-	(338,848)	-	(338,848)
Culture and Recreation	596,739	24,718	52,615	-	(519,406)	-	(519,406)
Employee Benefits and Insurance	20,638,695	-	6,428,586	-	(14,210,109)	-	(14,210,109)
State Assessments	2,025,559	-	-	-	(2,025,559)	-	(2,025,559)
Interest	559,190	-	37,494	-	(521,696)	-	(521,696)
<b>Total Governmental Activities</b>	<b>73,688,435</b>	<b>4,779,130</b>	<b>23,179,315</b>	<b>1,081,684</b>	<b>(44,648,306)</b>	<b>-</b>	<b>(44,648,306)</b>
<b>Business-Type Activities:</b>							
Sewer	1,358,270	1,885,827	4,294	-	-	531,851	531,851
Water	2,712,054	3,503,330	40,656	-	-	831,932	831,932
<b>Total Primary Government</b>	<b>\$ 77,758,759</b>	<b>\$ 10,168,287</b>	<b>\$ 23,224,265</b>	<b>\$ 1,081,684</b>	<b>(44,648,306)</b>	<b>1,363,783</b>	<b>(43,284,523)</b>
<b>General Revenues:</b>							
Property Taxes					35,395,791	-	35,395,791
Motor vehicle and other taxes					3,081,008	-	3,081,008
Hotel room occupancy and meal taxes					346,804	-	346,804
Penalties & Interest on taxes					327,800	-	327,800
Grants & Contributions not restricted to specific programs					2,189,940	-	2,189,940
Unrestricted Investment Income					(25,359)	-	(25,359)
Miscellaneous					10,591	-	10,591
<b>Contributions to Permanent Funds</b>					2,600	-	2,600
<b>Transfers, net</b>					443,686	(443,686)	-
<b>Total General Revenues, Contributions and Transfers</b>					<b>41,772,861</b>	<b>(443,686)</b>	<b>41,329,175</b>
<b>Change in Net Position</b>					<b>(2,875,445)</b>	<b>920,097</b>	<b>(1,955,348)</b>
<b>Net Position:</b>							
Beginning of year (as restated)					(6,938,401)	15,031,542	8,093,141
End of year					<b>\$ (9,813,846)</b>	<b>\$ 15,951,639</b>	<b>\$ 6,137,793</b>

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



**TOWN OF NORTON, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<b>General Fund</b>	<b>Cyrus Hicks Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 10,535,283	\$ -	\$ 6,152,302	\$ 16,687,585
Investments	2,836,025	7,876,889	-	10,712,914
Receivables, net of allowance for uncollectibles:				
Property Taxes	680,682	-	-	680,682
Deferred Property Taxes	61,686	-	-	61,686
Tax Liens	602,495	-	-	602,495
Taxes in Litigation	1,092	-	-	1,092
Excise Taxes	409,997	-	-	409,997
Departmental	-	-	315,499	315,499
Special Assessments	169,706	-	203,594	373,300
Due from Other Governments	180,293	-	1,463,172	1,643,465
<b>Total Assets</b>	<b>\$ 15,477,259</b>	<b>\$ 7,876,889</b>	<b>\$ 8,134,567</b>	<b>\$ 31,488,715</b>
<b>Liabilities:</b>				
Warrants and Accounts Payable	\$ 1,063,327	\$ -	\$ 46,651	\$ 1,109,978
Accrued Payroll	477,789	-	15,959	493,748
Payroll Withholdings	394,072	-	-	394,072
Other	123,956	-	-	123,956
Bond Anticipation Notes Payable	-	-	1,717,765	1,717,765
<b>Total Liabilities</b>	<b>2,059,144</b>	<b>-</b>	<b>1,780,375</b>	<b>3,839,519</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenue	1,905,368	-	1,256,043	3,161,411
<b>Fund Balance:</b>				
Non-Spendable	-	-	274,200	274,200
Restricted	-	7,876,889	3,659,876	11,536,765
Committed	-	-	2,081,736	2,081,736
Assigned	5,165,379	-	-	5,165,379
Unassigned	6,347,368	-	(917,663)	5,429,705
<b>Total Fund Balance</b>	<b>11,512,747</b>	<b>7,876,889</b>	<b>5,098,149</b>	<b>24,487,785</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 15,477,259</b>	<b>\$ 7,876,889</b>	<b>\$ 8,134,567</b>	<b>\$ 31,488,715</b>

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

**TOWN OF NORTON, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>General Fund</b>	<b>Cyrus Hicks Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Property Taxes	\$ 35,471,829	\$ -	\$ -	\$ 35,471,829
Intergovernmental	15,365,210	-	4,780,300	20,145,510
Excise and Other Taxes	3,399,214	-	-	3,399,214
Charges for Services	-	-	3,579,955	3,579,955
Licenses, Permits, Fees	1,356,782	-	-	1,356,782
Interest and Penalties on Taxes	327,800	-	-	327,800
Investment Income	111,279	(136,638)	859	(24,500)
Gifts and Donations	-	-	160,444	160,444
Other	-	-	85,659	85,659
Intergovernmental - "On-behalf" Payments	6,378,501	-	-	6,378,501
<b>Total Revenues</b>	<b>62,410,615</b>	<b>(136,638)</b>	<b>8,607,217</b>	<b>70,881,194</b>
<b>Expenditures:</b>				
Current:				
General Government	2,017,186	7,500	1,347,531	3,372,217
Public Safety	8,841,583	-	941,421	9,783,004
Public Works	1,235,131	-	1,433,011	2,668,142
Education	28,669,277	-	4,416,530	33,085,807
Health and Human Services	520,759	-	101,243	622,002
Culture and Recreation	427,177	-	319,322	746,499
Employee Benefits and Insurance	17,109,965	-	-	17,109,965
State Assessments	2,025,559	-	-	2,025,559
Debt Service:				
Principal	1,749,435	-	-	1,749,435
Interest	559,036	-	-	559,036
<b>Total Expenditures</b>	<b>63,155,108</b>	<b>7,500</b>	<b>8,559,058</b>	<b>71,721,666</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(744,493)</b>	<b>(144,138)</b>	<b>48,159</b>	<b>(840,472)</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	1,749,769	-	70,000	1,819,769
Operating Transfers Out	(29,675)	(170,000)	(1,176,408)	(1,376,083)
Capital Lease	-	-	154,415	154,415
<b>Total Other Financing Sources (Uses)</b>	<b>1,720,094</b>	<b>(170,000)</b>	<b>(951,993)</b>	<b>598,101</b>
<b>Net Change in Fund Balances</b>	<b>975,601</b>	<b>(314,138)</b>	<b>(903,834)</b>	<b>(242,371)</b>
<b>Fund Balances, Beginning of Year</b>	<b>10,537,146</b>	<b>8,191,027</b>	<b>6,001,983</b>	<b>24,730,156</b>
<b>Fund Balances, End of Year</b>	<b>\$ 11,512,747</b>	<b>\$ 7,876,889</b>	<b>\$ 5,098,149</b>	<b>\$ 24,487,785</b>

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

**TOWN OF NORTON, MASSACHUSETTS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**Total Fund Balances to the Statement of Net Position**  
**For the Year Ended June 30, 2018**

<b>Total Governmental Fund Balances</b>		\$ 24,487,785
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		64,381,752
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		3,407,595
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.		4,707,226
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	\$ (16,818,599)	
Other Post Employment Benefits Payable	(67,559,554)	
Net Pension Liability	(20,021,326)	
Compensated Absences	<u>(2,316,916)</u>	(106,716,395)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.		<u>(81,809)</u>
<b>Net Position of Governmental Activities</b>		<u><u>\$ (9,813,846)</u></u>

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

**TOWN OF NORTON, MASSACHUSETTS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2018**

**Net Change in Fund Balances - Total Governmental Funds** \$ (242,371)

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	\$ 2,915,704	
Depreciation	<u>(3,119,402)</u>	(203,698)

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. (636,187)

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	1,996,301	
Capital Lease Financing	<u>(154,415)</u>	1,841,886

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	(230,488)	
Net Change in Other Post Employment Benefits	(6,171,165)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to OPEB	2,831,155	
Net Change in Net Pension Liability	1,595,633	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	(1,660,056)	
Net Change in Accrued Interest on Long-Term Debt	<u>(154)</u>	<u>(3,635,075)</u>

**Change in Net Position of Governmental Activities** \$ (2,875,445)

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, 2018**

	Budgeted Amounts					
	Amounts Carried Forward from Prior Year	Original Budget	Final Budget	Actual Budgetary Basis	Amounts Carried Forward to Next year	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>						
Property Taxes	\$ -	\$ 35,193,571	\$ 35,270,571	\$ 35,401,429	\$ -	\$ 130,858
Intergovernmental	-	15,191,665	15,191,665	15,365,210	-	173,545
Excise and Other Taxes	-	2,412,500	2,412,500	3,399,214	-	986,714
Licenses, Permits, Fees	-	851,000	851,000	1,356,782	-	505,782
Interest and Penalties on Taxes	-	257,000	257,000	327,800	-	70,800
Interest on Investments	-	46,000	46,000	121,809	-	75,809
<b>Total Revenues</b>	-	53,951,736	54,028,736	55,972,244	-	1,943,508
<b>Expenditures:</b>						
Current:						
General Government	511,037	2,305,480	4,695,283	2,017,186	2,410,475	267,622
Public Safety	194,197	8,769,556	9,219,361	8,841,583	240,497	137,281
Public Works	87,790	1,137,207	1,391,279	1,235,131	93,719	62,429
Education	512,128	28,340,483	29,361,776	28,669,277	648,192	44,307
Health and Human Services	58,573	546,851	631,042	520,759	68,755	41,528
Culture and Recreation	913	423,851	429,177	427,177	638	1,362
Employee Benefits and Insurance	320,954	11,262,226	11,668,180	10,808,892	286,220	573,068
State Assessments	-	1,894,870	1,894,870	2,025,559	-	(130,689)
Debt Service:						
Principal	-	1,708,833	1,708,833	1,708,833	-	-
Interest	-	536,604	541,604	522,210	-	19,394
<b>Total Expenditures</b>	1,685,592	56,925,961	61,541,405	56,776,607	3,748,496	1,016,302
<b>Excess of Revenues Over (Under) Expenditures</b>	(1,685,592)	(2,974,225)	(7,512,669)	(804,363)	(3,748,496)	2,959,810
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	-	2,403,900	2,638,667	2,643,767	-	5,100
Operating Transfers Out	-	(29,675)	(1,229,675)	(1,229,675)	-	-
<b>Total Other Financing Sources (Uses)</b>	-	2,374,225	1,408,992	1,414,092	-	5,100
<b>Net Change in Budgetary Fund Balance</b>	(1,685,592)	(600,000)	(6,103,677)	\$ 609,729	\$ (3,748,496)	\$ 2,964,910
<b>Other Budgetary Items:</b>						
Free Cash and Other Reserves	-	600,000	4,418,085			
Prior Year Encumbrances	1,685,592	-	1,685,592			
<b>Total Other Budgetary Items</b>	1,685,592	600,000	6,103,677			
<b>NET BUDGET</b>	\$ -	\$ -	\$ -			

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

**TOWN OF NORTON, MASSACHUSETTS**  
**Reconciliation of Revenues and Expenditures**  
**from Budgetary Basis to GAAP Basis**  
**For the Year Ended June 30, 2018**

	<u>Revenues</u>	<u>Expenditures</u>
<b>Reported on a Budgetary Basis</b>	\$ 55,972,244	\$ 56,776,607
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	(10,530)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	6,378,501	-
Recognition of Expenditures - "on behalf payments"	-	6,378,501
Net Increase in Revenue from Recording 60-Day Receipts	70,400	-
<b>Reported on a GAAP Basis</b>	<u>\$ 62,410,615</u>	<u>\$ 63,155,108</u>

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, 2018**

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
<b>ASSETS</b>			
CURRENT:			
Cash and Cash Equivalents	\$ 1,932,844	\$ 5,185,918	\$ 7,118,762
User Charges, net of allowance for uncollectibles	417,973	972,772	1,390,745
Total current assets	2,350,817	6,158,690	8,509,507
NONCURRENT:			
Capital Assets, net of accumulated depreciation:			
Nondepreciable	209,014	577,727	786,741
Depreciable	6,016,984	14,663,622	20,680,606
Total noncurrent assets	6,225,998	15,241,349	21,467,347
<b>Total Assets</b>	<b>8,576,815</b>	<b>21,400,039</b>	<b>29,976,854</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	46,175	307,833	354,008
Deferred Outflows Related to OPEB	8,502	64,572	73,074
	54,677	372,405	427,082
<b>LIABILITIES</b>			
CURRENT:			
Accounts Payable	40,015	56,673	96,688
Accrued Payroll	3,845	26,439	30,284
Accrued Interest	27,417	103,753	131,170
Compensated Absences	11,814	58,583	70,397
Bond Anticipation Notes Payable	328,400	-	328,400
Bonds Payable	145,880	760,000	905,880
Total current liabilities	557,371	1,005,448	1,562,819
NONCURRENT:			
Compensated Absences	16,792	36,303	53,095
OPEB Obligation Payable	202,886	1,540,864	1,743,750
Net Pension Liability	200,494	1,336,623	1,537,117
Bonds Payable	2,880,541	6,465,000	9,345,541
Total noncurrent liabilities	3,300,713	9,378,790	12,679,503
<b>Total Liabilities</b>	<b>3,858,084</b>	<b>10,384,238</b>	<b>14,242,322</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions	27,388	182,587	209,975
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,871,177	8,016,349	10,887,526
Restricted for Capital	155,884	637,072	792,956
Unrestricted	1,718,959	2,552,198	4,271,157
<b>Total Net Position</b>	<b>\$ 4,746,020</b>	<b>\$ 11,205,619</b>	<b>\$ 15,951,639</b>

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, 2018**

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
<b>Operating Revenues:</b>			
Charges for Services	\$ 1,878,415	\$ 3,032,409	\$ 4,910,824
Other	7,412	470,921	478,333
<b>Total Operating Revenues</b>	<b>1,885,827</b>	<b>3,503,330</b>	<b>5,389,157</b>
<b>Operating Expenses:</b>			
Salaries & Wages	119,940	694,326	814,266
Operating Expenses	913,756	1,139,778	2,053,534
Depreciation	241,956	580,824	822,780
<b>Total Operating Expenses</b>	<b>1,275,652</b>	<b>2,414,928</b>	<b>3,690,580</b>
<b>Operating Income (Loss)</b>	<b>610,175</b>	<b>1,088,402</b>	<b>1,698,577</b>
<b>Non-Operating Revenues (Expenses):</b>			
Investment Income	4,294	40,656	44,950
Interest Expense	(82,618)	(297,126)	(379,744)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(78,324)</b>	<b>(256,470)</b>	<b>(334,794)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>531,851</b>	<b>831,932</b>	<b>1,363,783</b>
<b>Operating Transfers:</b>			
Transfer In	29,675	-	29,675
Transfers (Out)	(69,831)	(403,530)	(473,361)
<b>Total Operating Transfers</b>	<b>(40,156)</b>	<b>(403,530)</b>	<b>(443,686)</b>
<b>Change in Net Position</b>	<b>491,695</b>	<b>428,402</b>	<b>920,097</b>
<b>Net Position at Beginning of Year (as restated)</b>	<b>4,254,325</b>	<b>10,777,217</b>	<b>15,031,542</b>
<b>Net Position at End of Year</b>	<b>\$ 4,746,020</b>	<b>\$ 11,205,619</b>	<b>\$ 15,951,639</b>

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, 2018**

	<b>Business-Type Activities Enterprise Funds</b>		
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Total</b>
<b>Cash Flows From Operating Activities:</b>			
Receipts from Customers and Users	\$ 1,905,189	\$ 3,045,443	\$ 4,950,632
Receipts from Other Revenues	7,412	470,921	478,333
Payments to Vendors	(855,383)	(964,013)	(1,819,396)
Payments to Employees	(117,748)	(692,523)	(810,271)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>939,470</b>	<b>1,859,828</b>	<b>2,799,298</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers from (to) Other Funds	(40,156)	(403,530)	(443,686)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(40,156)</b>	<b>(403,530)</b>	<b>(443,686)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and Construction of Capital Assets	(487,752)	(228,801)	(716,553)
Proceeds from the Issuance of Bonds and Notes	328,400	-	328,400
WPAT Project Drawdowns	198,351	-	198,351
Principal Payments on Bonds and Notes	(143,307)	(760,000)	(903,307)
Interest Expense	(69,201)	(310,604)	(379,805)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(173,509)</b>	<b>(1,299,405)</b>	<b>(1,472,914)</b>
<b>Cash Flows from Investing Activities:</b>			
Investment Income	4,294	40,656	44,950
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>4,294</b>	<b>40,656</b>	<b>44,950</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>730,099</b>	<b>197,549</b>	<b>927,648</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>1,202,745</b>	<b>4,988,369</b>	<b>6,191,114</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,932,844</b>	<b>\$ 5,185,918</b>	<b>\$ 7,118,762</b>

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

<b>Operating Income (Loss)</b>	<b>\$ 610,175</b>	<b>\$ 1,088,402</b>	<b>\$ 1,698,577</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>			
Depreciation	241,956	580,824	822,780
Deferred (Outflows)/Inflows of Resources Related to Pension	15,624	77,356	92,980
Deferred (Outflows)/Inflows of Resources Related to OPEB	(8,502)	(64,572)	(73,074)
<b>Change in Assets and Liabilities:</b>			
Increase (Decrease) in Accounts Payable	21,687	(73,377)	(51,690)
Increase (Decrease) in Accrued Payroll	(43)	18	(25)
Increase (Decrease) in Compensated Absences	2,235	1,785	4,020
Increase (Decrease) in OPEB Obligation Payable	39,433	138,277	177,710
Increase (Decrease) in Net Pension Liability	(9,869)	98,081	88,212
Decrease (Increase) in User Charges Receivable	26,774	13,034	39,808
<b>Total Adjustments</b>	<b>329,295</b>	<b>771,426</b>	<b>1,100,721</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 939,470</b>	<b>\$ 1,859,828</b>	<b>\$ 2,799,298</b>

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

**TOWN OF NORTON, MASSACHUSETTS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018**

	Other Post Employment Benefits Trust Fund		Private Purpose Trust Funds		Agency Funds	
<b>ASSETS</b>						
Cash and Cash Equivalents	\$	-	\$	124,848	\$	484,135
Investments		393,427		-		-
<b>Total Assets</b>		393,427		124,848		484,135
<b>LIABILITIES</b>						
Warrants Payable		-		-		6,889
Due to Others		-		-		5,840
Due to Student Groups		-		-		126,766
Deposits and Escrows		-		-		344,640
<b>Total Liabilities</b>		-		-		484,135
<b>NET POSITION</b>						
Held in Trust for Other Purposes	\$	393,427	\$	124,848	\$	-

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, 2018**

	<b>Other Post Employment Benefits Trust Fund</b>	<b>Private Purpose Trust Funds</b>
<b>Additions</b>		
Contributions:		
Employer	\$ 2,140,896	\$ -
Private Donations	-	37,600
Investment Income	16,815	504
<b>Total Additions</b>	<u>2,157,711</u>	<u>38,104</u>
<b>Deductions:</b>		
Educational Scholarships	-	38,500
Insurance and Employee Benefits	2,055,896	-
<b>Total Deductions</b>	<u>2,055,896</u>	<u>38,500</u>
<b>Change in Net Position</b>	<u>101,815</u>	<u>(396)</u>
<b>Net Position at Beginning of Year</b>	<u>291,612</u>	<u>125,244</u>
<b>Net Position at End of Year</b>	<u><u>\$ 393,427</u></u>	<u><u>\$ 124,848</u></u>

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

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**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 2018, 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.

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

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 recognized 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.

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

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 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 the Town in trust for the payment of future retiree health insurance benefits. The assets of the OPEB Trust Fund cannot be used to support the Town's operations.

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

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

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

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**

The Town maintains investments according to Massachusetts General Laws and adopted policies. Investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.

Level 3 inputs are unobservable for the asset or liability.

Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional investment disclosures are presented in these Notes.

**F. Receivables**

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

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

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

Property taxes are based on assessments as of January 1, 2017 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 2018 on June 30, 2017, that were due on August 1, 2017 and November 1, 2017 and actual bills on December 28, 2017 that were due on February 1, 2018 and May 1, 2018.

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 2018 is as follows;

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2018	\$ 34,510,608
Add: Debt Exclusion	1,083,880
Maximum Allowable Levy	<u>\$ 35,594,488</u>

The total amount raised by taxation was \$35,571,945.

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.



**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**User Charges**

User charges in the governmental 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.

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

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

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

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

#### **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 Outflows/Inflows of Resources**

##### **Government-wide financial statements**

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the items in this category is *deferred outflows related to pensions and deferred outflows related to OPEB*.

In addition to liabilities, the *Statement of Net Position* 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 a future period and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category is *deferred inflows related to pensions*.

##### **Fund financial statements**

In addition to liabilities, 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; 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.

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**J. Net position and Fund Balances**

In the Government-Wide financial statements, the difference between the Town's total assets, deferred outflows of resources, total liabilities and deferred inflows of resources 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.

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

*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. Pension Benefits**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Bristol County Retirement System (the System) and the Massachusetts Teachers Retirement System (MTRS) are provided. Additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable according with the benefit terms. Investments are reported at their fair value.

**N. 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 70% – 75% share of insurance premiums in the general fund in the fiscal year paid.

**O. 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.

**P. Total Column**

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

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**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 2018, the Town incurred a final budget deficit of \$6,103,677 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	\$ 4,418,085
Prior year's encumbrances	<u>1,685,592</u>
	<u>\$ 6,103,677</u>

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**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, 2018 were \$24,645,449. Of these, none are 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. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost. MMDT's fair value is measured at amortized cost.

As of June 30, 2018, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
Debt Securities:					
U. S. treasury obligations	\$ 624,740	\$ 449,360	\$ 175,380	\$ -	\$ -
U. S. government agencies	848,229	100,569	674,096	73,564	-
Bond mutual funds	144,988	-	144,988	-	-
Corporate bonds	1,711,750	-	1,029,734	346,598	335,418
Money market mutual fund	278,659	278,659	-	-	-
	3,608,366	\$ 828,588	\$ 2,024,198	\$ 420,162	\$ 335,418
Other Investments:					
Certificate of deposits	272,427				
Equity mutual funds	5,618,244				
Mutual funds	502,122				
MMDT	1,105,182				
	\$ 11,106,341				

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**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 \$11,106,341 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, 2018 is as follows:

Related Debt Instruments	Fair Value
<u>Moody's Quality Ratings</u>	
<b><i>U. S. Treasury Obligations:</i></b>	
Aaa	\$ 624,740
<b><i>U. S. Government Agencies:</i></b>	
Aaa	848,229
<b><i>Corporate Bonds:</i></b>	
A1	82,774
A2	496,523
A3	393,945
Baa1	59,155
Baa2	679,353
<b><i>Bond Mutual Funds:</i></b>	
Not rated	144,988
<b><i>Money Market Mutual Funds:</i></b>	
Not rated	278,659
	<u>\$ 3,608,366</u>

**Concentration of Credit Risk**

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are Federal Home Loan Mortgage Corporation amounting to 6.07% of the Town's total investments.

**Fair Value of Investments**

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

The Town has the following recurring fair value measurements as of June 30, 2018:

Investment Type	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U. S. treasury obligations	\$ 624,740	\$ 624,740	\$ -	\$ -
U. S. government agencies	848,229	848,229	-	-
Certificates of deposit	272,427	272,427	-	-
Equity mutual funds	5,618,244	5,618,244	-	-
Money market mutual fund	278,659	278,659	-	-
Mutual funds	502,122	502,122	-	-
Bond mutual funds	144,988	-	144,988	-
Corporate bonds	1,711,750	-	1,711,750	-
	10,001,159	\$ 8,144,421	\$ 1,856,738	\$ -
Investments Measured at Amortized Cost:				
External Investment Pools (MMDT)	1,105,182			
Total Investments	\$ 11,106,341			

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

## B. Receivables

At June 30, 2018, receivables for the individual major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Major and nonmajor governmental funds:</b>			
Property taxes	\$ 683,282	\$ (2,600)	\$ 680,682
Deferred property taxes	61,686	-	61,686
Tax liens	602,495	-	602,495
Taxes in litigation	1,092	-	1,092
Excise taxes	453,403	(43,406)	409,997
User charges	301	(301)	-
Departmental	1,068,990	(753,491)	315,499
Special assessments	373,300	-	373,300
Due from other governments	1,643,465	-	1,643,465
	\$ 4,888,014	\$ (799,798)	\$ 4,088,216



**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

At June 30, 2018, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Sewer Fund:</b>			
Sewer user charges	\$ 415,054	\$ (500)	\$ 414,554
Sewer tax liens	3,419	-	3,419
<b>Water Fund:</b>			
Water user charges	963,443	(1,000)	962,443
Water tax liens	10,329	-	10,329
	<u>\$ 1,392,245</u>	<u>\$ (1,500)</u>	<u>\$ 1,390,745</u>

The composition of amounts due from other governments as of June 30, 2018 for governmental funds and the business-type activities are as follows:

**Governmental Funds:**

**General Fund:**

***Commonwealth of Massachusetts:***

Department of Veterans Services:

Veterans benefits \$ 180,293

**Nonmajor Governmental Funds:**

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

School lunch \$ 23,121

***U. S. Department of Education:***

School title grants 79,910

***Commonwealth of Massachusetts:***

Department of Conservation and Recreation:

Town Common Iron Fence Restoration Grant 25,000

Department of Elementary and Secondary Education:

School Lunch 625

Special education reimbursement fund 348,597

Department of Revenue:

School Choice 85,006

Massachusetts Department of Transportation:

Complete streets grant 16,072

Highway Department - Chapter 90 funded projects 884,841

\$ 1,463,172

\$ 1,643,465

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

**Governmental Funds:**

***Massachusetts Clean Water Trust:***

Principal loan subsidy \$ 246,184

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**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 are as follows:

<b>General Fund:</b>			
Property taxes	\$	513,282	
Deferred property taxes		61,686	
Tax liens		602,495	
Taxes in litigation		1,092	
Excise taxes		409,997	
Special assessments		169,706	
Due from other governments		147,110	\$ 1,905,368
<b>Nonmajor Governmental Funds:</b>			
Departmental		226,419	
Special assessments		203,594	
Due from other governments		826,030	1,256,043
			<u>\$ 3,161,411</u>

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2018, is as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 8,362,619	\$ 481,500	\$ -	\$ 8,844,119
Construction in Progress	885,615	548,936	(1,044,412)	390,139
Total capital assets not being depreciated	9,248,234	1,030,436	(1,044,412)	9,234,258
Capital assets being depreciated:				
Buildings and Renovations	78,241,643	124,130	-	78,365,773
Machinery, equipment and other	8,335,206	714,030	(254,971)	8,794,265
Infrastructure	11,703,908	2,091,520	-	13,795,428
Total capital assets being depreciated	98,280,757	2,929,680	(254,971)	100,955,466
Less accumulated depreciation for:				
Buildings and Renovations	32,086,237	1,866,965	-	33,953,202
Machinery, equipment and other	6,308,480	699,404	(254,971)	6,752,913
Infrastructure	4,548,824	553,033	-	5,101,857
Total accumulated depreciation	42,943,541	3,119,402	(254,971)	45,807,972
Total capital assets being depreciated, net	55,337,216	(189,722)	-	55,147,494
Total governmental activities capital assets, net	\$ 64,585,450	\$ 840,714	\$ (1,044,412)	\$ 64,381,752

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 348,926	\$ -	\$ -	\$ 348,926
Construction in progress	2,430,420	716,553	(2,709,158)	437,815
Total capital assets not being depreciated	2,779,346	716,553	(2,709,158)	786,741
Capital assets being depreciated:				
Buildings and improvements	454,794	-	-	454,794
Machinery, equipment and other	1,261,964	-	-	1,261,964
Infrastructure	29,637,824	2,709,158	-	32,346,982
Total capital assets being depreciated	31,354,582	2,709,158	-	34,063,740
Less accumulated depreciation for:				
Buildings and improvements	125,917	20,587	-	146,504
Machinery, equipment and other	1,016,230	48,353	-	1,064,583
Infrastructure	11,418,207	753,840	-	12,172,047
Total accumulated depreciation	12,560,354	822,780	-	13,383,134
Total capital assets being depreciated, net	18,794,228	1,886,378	-	20,680,606
Total business-type activities capital assets, net	\$ 21,573,574	\$ 2,602,931	\$ (2,709,158)	\$ 21,467,347

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

**Governmental Activities:**

General government	\$ 73,571
Public safety	469,724
Public works	671,685
Education	1,817,812
Health and human services	26,684
Culture and recreation	59,926
Total depreciation expense - governmental activities	<u>\$ 3,119,402</u>

**Business-Type Activities:**

Sewer fund	\$ 241,956
Water fund	580,824
Total depreciation expense - business-type activities	<u>\$ 822,780</u>

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

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

Interfund transfers for the fiscal year ended June 30, 2018, are summarized as follows:

Transfers Out:	Transfers In:			
	General fund	Nonmajor governmental funds	Business-type funds	Total
General fund	\$ -	\$ -	\$ 29,675	\$ 29,675
Cyrus Hicks fund	100,000	70,000	-	170,000
Nonmajor governmental funds	1,176,408	-	-	1,176,408
Business-type activities	473,361	-	-	473,361
Total transfers out	<u>\$ 1,749,769</u>	<u>\$ 70,000</u>	<u>\$ 29,675</u>	<u>\$ 1,849,444</u>

**F. Leases**

The Town has entered into lease agreements as lessee for financing a fire truck, highway vehicles and equipment and school vehicles. 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 2018, acquired through the capital leases are as follows:

Asset:	Governmental Activities
Machinery, Equipment and Other	\$ 1,110,175
Less: Accumulated Depreciation	(579,881)
Total	<u>\$ 530,294</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, are as follows:

Year Ending June 30,	Governmental Activities
2019	\$ 125,205
2020	90,228
2021	32,729
2022	<u>32,729</u>
Total minimum lease payments	280,891
Less: amount representing interest	(17,549)
Present value of minimum lease payments	<u>\$ 263,342</u>

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**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:

<b>Purpose</b>	<b>Interest Rate</b>	<b>Final Maturity Date</b>	<b>Balance July 1, 2017</b>	<b>Renewed/ Issued</b>	<b>Retired/ Redeemed</b>	<b>Outstanding June 30, 2018</b>
<b>Bond Anticipation Notes:</b>						
Chartley Pond	1.55%	2/21/2019	\$ -	\$ 261,000	\$ -	\$ 261,000
School Design	1.55%	2/21/2019	-	200,000	-	200,000
Watershed Plan	1.55%	2/21/2019	-	290,000	-	290,000
Camp Edith Read property acquisition	1.70%	3/29/2019	-	481,550	-	481,550
Library heating and air conditioning	1.75%	3/29/2019	-	425,000	-	425,000
Septic program	0.00%	12/31/2019	-	60,215	-	60,215
Total Governmental Activities			\$ -	\$ 1,717,765	\$ -	\$ 1,717,765

Details related to the short-term debt activity of the business type fund are as follows:

<b>Purpose</b>	<b>Interest Rate</b>	<b>Final Maturity Date</b>	<b>Balance July 1, 2017</b>	<b>Renewed/ Issued</b>	<b>Retired/ Redeemed</b>	<b>Outstanding June 30, 2018</b>
<b>Bond Anticipation Notes:</b>						
Woodland Meadows sewer main	1.70%	3/29/2019	\$ -	\$ 328,400	\$ -	\$ 328,400

**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.

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

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

	<b>Interest Rate</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Original Amount Issued</b>	<b>Outstanding June 30, 2018</b>
<b>Inside Debt:</b>					
Land acquisition-Slattery property	3.66%	11/1/2004	11/1/2022	\$ 400,000	\$ 100,000
School building renovations	3.75%	11/1/2004	11/1/2023	2,100,000	660,000
Land acquisition	3.96%	10/1/2007	10/1/2022	500,000	150,000
Police station	2.38%	2/15/2011	10/1/2018	945,000	105,000
Sewer bond	2.38%	2/15/2011	10/1/2020	80,000	15,000
Land Acquisition - Newcomb	2.81%	5/15/2014	11/15/2028	475,000	335,000
School HVAC Repairs	2.81%	5/15/2014	5/5/2026	120,000	80,000
School Roof	2.81%	5/15/2014	5/15/2029	548,370	385,000
School Technology - Hardware	2.81%	5/15/2014	5/15/2023	348,750	185,000
School equipment	0.75%	12/12/2014	12/7/2018	160,000	40,000
Library HVAC	0.75%	12/12/2014	12/7/2018	28,787	7,196
Rail Trail project	2.45%	12/15/2016	12/15/2021	480,000	380,000
Watershed planning	2.45%	12/15/2016	12/15/2028	510,000	465,000
Town Hall repairs	2.45%	12/15/2016	12/15/2026	350,000	315,000
<b>Massachusetts Clean Water Trust:</b>					
Lake Winnecunnet sewer project	N/A	11/26/2002	8/1/2022	2,375,687	720,000
Water resource management	N/A	11/26/2002	8/1/2022	334,237	100,000
<b>Total Inside Debt</b>					<u>4,042,196</u>
<b>Outside Debt:</b>					
High school renovations	2.82%	11/15/2011	2/15/2031	6,550,000	4,570,000
High school track/bleachers	2.38%	11/15/2011	2/15/2025	650,000	350,000
School construction	2.81%	5/15/2014	5/15/2034	6,500,000	5,200,000
High school renovations	2.45%	12/15/2016	12/15/2031	650,000	605,000
Dam improvements	2.45%	12/15/2016	12/15/2031	878,000	815,000
Landfill capping	2.45%	12/15/2016	12/15/2026	267,000	235,000
<b>Massachusetts Clean Water Trust:</b>					
Title V Septic Loans - Round 2	N/A	7/24/2003	2/1/2021	195,089	32,707
Title V Septic Loans - Round 3	N/A	8/1/2004	8/1/2023	236,799	72,485
Title V Septic Loans - Round 4	N/A	12/14/2006	7/15/2026	146,244	65,812
Title V Septic Loans - Round 5	N/A	11/15/2006	8/1/2024	184,207	71,249
Title V Septic Loans - Round 6	N/A	11/22/2010	7/15/2029	200,000	126,318
Title V Septic Loans - Round 7	N/A	11/22/2010	7/15/2029	201,502	127,267
Title V Septic Loans - Round 8	N/A	5/22/2013	1/15/2033	165,000	123,750
Title V Septic Loans - Round 9	N/A	1/7/2015	1/15/2035	33,498	28,473
Title V Septic Loans - Round 10	N/A	2/11/2016	1/15/2036	100,000	90,000
<b>Total Outside Debt</b>					<u>12,513,061</u>
<b>Total Governmental Type Debt</b>					<u><u>\$ 16,555,257</u></u>

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**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, 2018, are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 1,684,434	\$ 500,875	\$ 2,185,309
2020	1,526,441	441,104	1,967,545
2021	1,521,661	397,049	1,918,710
2022	1,510,612	345,412	1,856,024
2023	1,410,612	290,362	1,700,974
2024-2028	5,031,257	1,032,290	6,063,547
2029-2033	3,526,890	333,694	3,860,584
2034-2036	343,350	11,375	354,725
	<u>\$ 16,555,257</u>	<u>\$ 3,352,161</u>	<u>\$ 19,907,418</u>

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

	<b>Interest Rate</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Original Amount Issued</b>	<b>Outstanding June 30, 2018</b>
<b>Inside Debt:</b>					
<b>Sewer Fund:</b>					
Sewer Expansion	2.45%	12/15/2016	12/15/2026	\$ 245,000	\$ 220,000
<b>Massachusetts Clean Water Trust:</b>					
Sewer Expansion CW-14-33	2.00%	4/13/2017	1/15/2037	2,924,728	2,806,421
<b>Total Inside Debt</b>					<u>3,026,421</u>
<b>Outside Debt:</b>					
<b>Water fund:</b>					
Water mains	3.99%	10/1/2007	10/1/2027	3,300,000	1,650,000
New water tank	3.99%	10/1/2007	10/1/2027	1,700,000	850,000
Water mains	4.02%	8/1/2008	8/1/2028	3,000,000	1,650,000
Water mains	4.02%	8/1/2008	8/1/2028	5,000,000	2,750,000
Water storage facility	2.38%	2/15/2011	10/1/2020	1,100,000	325,000
<b>Total Outside Debt</b>					<u>7,225,000</u>
<b>Total Business-type Debt</b>					<u>\$ 10,251,421</u>

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2018, are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 905,880	\$ 341,570	\$ 1,247,450
2020	908,507	308,578	1,217,085
2021	906,191	275,499	1,181,690
2022	803,933	244,342	1,048,275
2023	806,736	214,951	1,021,687
2024-2028	4,047,890	621,094	4,668,984
2029-2033	1,182,664	125,095	1,307,759
2034-2037	689,620	34,851	724,471
	<u>\$ 10,251,421</u>	<u>\$ 2,165,980</u>	<u>\$ 12,417,401</u>

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

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2018</b>	<b>Amounts Due within One Year</b>
<b>Governmental activities:</b>					
<b>Bonds Payable:</b>					
General obligation bonds	\$ 16,514,393	\$ -	\$ 1,517,197	\$ 14,997,196	\$ 1,452,196
Massachusetts Clean					
Water Trust bonds	1,790,299	-	232,238	1,558,061	232,238
<b>Capital lease</b>	355,793	154,415	246,866	263,342	116,197
<b>Compensated absences</b>	2,086,428	230,488	-	2,316,916	801,845
<b>OPEB liability obligation</b>	61,388,389	6,171,165	-	67,559,554	-
<b>Net pension liability</b>	21,616,959	-	1,595,633	20,021,326	-
Governmental activity					
Long-term liabilities	<u>\$ 103,752,261</u>	<u>\$ 6,556,068</u>	<u>\$ 3,591,934</u>	<u>\$ 106,716,395</u>	<u>\$ 2,602,476</u>
<b>Business-type activities:</b>					
<b>Bonds Payable:</b>					
General obligation bonds	\$ 8,230,000	\$ -	\$ 785,000	7,445,000	\$ 785,000
Massachusetts Clean					
Water Trust bonds	2,924,728	-	118,307	2,806,421	120,880
<b>Compensated absences</b>	119,472	4,020	-	123,492	70,397
<b>OPEB liability obligation</b>	1,566,040	177,710	-	1,743,750	-
<b>Net pension liability</b>	1,448,905	88,212	-	1,537,117	-
Business-type activity					
Long-term liabilities	<u>\$ 14,289,145</u>	<u>\$ 269,942</u>	<u>\$ 903,307</u>	<u>\$ 13,655,780</u>	<u>\$ 976,277</u>



**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**Massachusetts Clean Water Trust (MCWT)**

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$7,096,982 and interest costs of \$2,336,149 for twelve loans which the Town has borrowed from MCWT. The gross amount outstanding at June 30, 2018 for principal and interest combined for the loans is \$5,080,184. The net repayments, including interest, are scheduled to be \$4,160,654. 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 2018 principal and interest subsidies totaled \$77,428.

**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, 2018 totaled \$7,068,617.

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, 2018:

Proposed and Revised Equalized Valuation-Real Estate and Personal Property (2016)		<u>\$ 2,041,345,000</u>
Debt Limit: 5 % of Equalized value		102,067,250
Total Debt Outstanding	\$ 26,806,678	
Less: Debt Outside Debt Limit	<u>(19,738,061)</u>	<u>7,068,617</u>
Inside Debt Excess Borrowing Capacity at June 30, 2018		<u>\$ 94,998,633</u>

**Loans Authorized and Unissued - Memorandum Only**

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

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

Loan authorizations that have not been issued as of June 30, 2018 and are not reflected in the Town's financial statements are as follows:

<b>Date Town Meeting Authorized</b>	<b>Purpose</b>	<b>Amount</b>
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	\$ 300,000
6/6/2011	Renovating, constructing, and improvements and expansion of Norton High School	19,395,111
10/29/2012	Land acquisition - Erikson property	5,000
10/7/2013	Land acquisition - Crane property	140,800
5/12/2014	Water Treatment Plant	8,900,000
5/19/2016	Water Treatment Plant (additional)	500,000
4/11/2018	Water Treatment Plant Water main construction (additional)	900,000
5/11/2015	Nourse Elementary School Sewer connection	195,000
10/19/2015	Norton Center Sewer expansion project (additional)	75,272
12/19/2015	Repair, replacement and upgrading of Septic systems or household connections to Sanitary Sewer System pursuant to Agreements between Board of Health and property owners	939,785
5/8/2017	Woodlawn Meadows sewer, pump stations and mains	2,991,600
5/14/2018	Woodlawn Meadows sewer, pump stations and mains (additional)	880,000
5/14/2018	Norton Elementary School window/door replacement	8,476,971
		<u><u>\$ 43,699,539</u></u>

**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.

	<b>Current Year's Long Term Debt</b>	<b>Town's Estimated Share</b>	<b>Town's Estimated Indirect Debt</b>
Southeastern Regional Vocational Technical School District:	<u><u>\$ 4,810,000</u></u>	5.80%	<u><u>\$ 278,980</u></u>

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**I. Fund Balances**

The following is a summary of the Governmental fund balances at the year ended June 30, 2018:

	<b>General Fund</b>	<b>Cyrus Hicks Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable:				
Permanent funds	\$ -	\$ -	\$ 274,200	\$ 274,200
Restricted:				
Federal, state and local grants	-	-	354,995	354,995
School revolving funds	-	-	632,744	632,744
Revolving funds	-	-	236,744	236,744
Septic loans	-	-	921,514	921,514
Debt service	-	-	193,139	193,139
Donations and gifts	-	-	331,079	331,079
Permanent funds	-	-	150,252	150,252
Cyrus Hicks fund	-	7,876,889	-	7,876,889
Capital project funds	-	-	781,533	781,533
Other	-	-	57,876	57,876
	-	7,876,889	3,659,876	11,536,765
Committed:				
Ambulance	-	-	1,986,167	1,986,167
Dog fund	-	-	95,569	95,569
	-	-	2,081,736	2,081,736
Assigned:				
General government	2,410,475	-	-	2,410,475
Public safety	240,497	-	-	240,497
Public works	93,719	-	-	93,719
Education	648,192	-	-	648,192
Health and human services	68,755	-	-	68,755
Culture and recreation	638	-	-	638
Employee benefits and insurance	286,220	-	-	286,220
Subsequent year's budget	1,416,883	-	-	1,416,883
	5,165,379	-	-	5,165,379
Unassigned:				
General fund	6,347,368	-	-	6,347,368
Capital projects	-	-	(864,969)	(864,969)
Special revenue funds	-	-	(52,694)	(52,694)
	6,347,368	-	(917,663)	5,429,705
Total Governmental fund balances	\$ 11,512,747	\$ 7,876,889	\$ 5,098,149	\$ 24,487,785

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**J. Special Trust Funds**

**Stabilization Fund**

Massachusetts General Laws, Chapter 40, Section 5B, allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. Any interest shall be added to and become a part of the fund.

At June 30, 2018 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 1,730,843
Capital improvement stabilization fund	269,311
	<hr/>
	\$ 2,000,154

**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.

**Southeastern Massachusetts Health Group**

The Town, along with other government entities from the neighboring geographic area, is a member of the Southeastern Massachusetts Health Group (the Group), a public entity risk pool, currently operating as a common risk sharing management and health insurance program for eligible active and former employees of its members.

Payments in the form of insurance premiums, are made monthly to the Group. These payments are funded in part from the Town, recorded as expenditures in the general fund, and payroll withholdings from active employees, or direct payments from retired and certain eligible former employees. The Town pays 70% or 75% of the cost of the insurance for active employees. Retired and other past employees who may be eligible to participate in the plan must pay 25% and 30% of their premium costs.

The Town makes payments to the Group in the form of monthly premiums based upon actual employee enrollment. The Group makes payment, through a third-party administrator for actual health claims incurred for the entire group. At the end of the Group's fiscal year, the Group's insurance consultant will determine if assets are sufficient to meet the anticipated needs of the ensuing year. It is anticipated that if claim liabilities exceed assets, premium rates will be adjusted prospectively to recover the necessary assets to meet claims.

Based upon the audited results of operations of the Group for the fiscal year ended June 30, 2018, the Town's insurance consultants have reported the Group has accumulated a surplus of \$8,912,754.

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**B. Contingent Liabilities**

**Litigation**

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2018.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, Town management believes such disallowances, if any, will not be material.

**C. Tax Abatements**

The Town enters into property tax abatement agreements with local businesses under the Commonwealth of Massachusetts Economic Development Incentive Program Act of 1993 and as amended in 2009. Under this Act, state municipalities may grant property tax abatements of up to 100% of a business' property tax bill for the purpose of attracting or retaining these businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Town of Norton. As of June 30, 2018, the Town of Norton abated property taxes amounting to \$224,198 under six tax abatement agreements. The Town has not made any commitments as part of the agreements other than to reduce taxes.

**D. Subsequent Events**

Management has evaluated subsequent events through the date the financial statements were available to be issued.

**E. Pension Plan**

**Plan Description**

The Town is a member of the Bristol County Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the Bristol County Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers except for current and retired teachers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 645 County Street, Taunton, Massachusetts 02780.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan, to which the Town does not contribute. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for the contributions and future benefit requirements of the MTRS.

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**Special Funding Situation**

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in the MTRS. Since the Town does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2017. The Town's portion of the collective pension expense contributed by the Commonwealth of \$6,301,073 on-behalf payments for the fiscal year ending June 30, 2018 is reported as intergovernmental revenues and insurance and employee benefit expenditures in the General Fund as of the measurement date.

**Benefits Provided**

Both the System and MTRS provide retirement, disability, and death benefits to plan members and beneficiaries. Members become vested after 10 years of creditable service and are eligible for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her Group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost of living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's State law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

**Contributions**

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in 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. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2017 was \$2,601,305, representing 20.75% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**Pension Liability**

As of June 30, 2018, the Town reported a liability of \$21,558,443 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2017, the Town's proportional percentage was 6.909%, which was the same as the last measurement.

**Pension Expense**

For the year ended June 30, 2018, the Town recognized a pension expense of \$2,980,762 and a pension revenue of \$133,840; and reported deferred outflows of resources related to pensions of \$4,965,052 from the differences between expected and actual experience, the net difference between projected and actual investment earnings on pension plan investments and the changes in proportion and differences between employer contributions and proportionate share of contributions; and deferred inflows of resources related to pensions of \$2,944,948 from the changes of assumptions, the net difference between projected and actual investment earnings on pension plan investments and the changes in proportion and differences between employer contributions and proportionate share of contributions.

The Town's net deferred outflows/(inflows) of resources related to pensions will be recognized in the pension expense as follows:

<b>For years ended June 30,</b>	
<b>2019</b>	<b>\$ 1,239,101</b>
<b>2020</b>	<b>948,763</b>
<b>2021</b>	<b>77,170</b>
<b>2022</b>	<b>(244,930)</b>
	<b><u>\$ 2,020,104</u></b>

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	January 1, 2018
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent, open group
Asset valuation method	Market value
Investment rate of return	7.75% annually
Projected salary increase	varies based upon years of service
Inflation	4.00% annually

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

Cost of living adjustments	3.00% of \$18,000 per year.
Mortality rates	<p>Pre-retirement rates reflect the RP-2014 Blue Collar Mortality Table with Scale MP-2014, fully generational.</p> <p>Healthy Retiree rates reflect Group 1 &amp; 2 retirees are represented by the RP-2000 Mortality Table set forward 5 years for males and 3 years for females, fully generational. Group 4 retirees are represented by the RP-2000 Mortality Table set forward 3 years for males and 6 years for females, fully generational.</p> <p>For disabled retirees, Group 1 &amp; 2 disabled retirees are represented by the RP-2000 Mortality Table set forward 6 years. Group 4 disabled retirees are represented by the RP-2000 Mortality Table set forward 2 years. Generational adjusting is based on Scale MP-2014.</p>

### **Long-term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2017, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Equity	46.5%	7.9%
Fixed Income	24.5%	4.6%
Private Equity	8.5%	10.5%
Real Estate Funds	7.5%	6.5%
Hedge Funds	5.0%	5.9%
Infrastructure	5.0%	7.6%
Timber	3.0%	7.5%
Total	100.0%	

### **Rate of Return**

For the year ended December 31, 2017, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 15.65%. The money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money-weighted rate of return calculation are determined monthly.

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.75%. The discount rate was selected based on a projection of employer and employee contributions, benefit payments, expenses and long term expected rate of return on trust assets. Under Chapter 32 of the Massachusetts General Law, employers are required to make the necessary contributions to the trust such that the Plan reaches a full funding status by 2040.



**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75%. As well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Town's net pension liability	\$ 29,257,560	\$ 21,558,443	\$ 15,073,437

**F. Other Post Employment Benefits Payable**

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 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 provides 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 848 active, retired employees and beneficiaries that meet the eligibility requirements. The plan does not issue a separate financial report.

**Investment Policy**

The OPEB Trust fund does not have a formal investment policy. As of June 30, 2018, investments, concentration and rate of return information consisted of pooled funds in the Town's Bartholomew Commonwealth Financial investments described earlier under Deposits and Investments (refer to note 3A). The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability.

**GASB Statement No. 74 – Financial Reporting for OPEB Plans**

**Funding Policy**

The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. The Town contributes 70% to 75% of the cost of current year premiums for eligible retired plan members and their survivors. For the 2018 fiscal year, total Town contributed \$2,140,896 to the plan. The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. The trust balance is \$393,427 as of June 30, 2018.

**Measurement Date**

GASB Statement No. 74 requires the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**Plan Membership:**

Current active members	440
Current retirees, beneficiaries and dependents	416
Total	<u>856</u>

**Net OPEB Liability**

The components of the net OPEB liability are as follows:

	<u>June 30, 2018</u>
Total OPEB liability	\$ 69,338,866
Less: Plan fiduciary net position	<u>(393,427)</u>
Town's Net OPEB liability	<u>\$ 68,945,439</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.57%

**Actuarial Assumptions**

The actuarially determined contribution used towards the total OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2018;

Valuation date	July 1, 2017
Actuarial cost method	Individual Entry Age Normal
Asset-Valuation Method	Market value of assets as of the Reporting Date, June 30, 2018
Inflation rate	2.75% as of June 30, 2018 and for future periods
Participant salary increases	3.00% as of June 30, 2018 and for future periods
Investment rate of return	6.80% annually, net of OPEB plan investment expense Including inflation
Healthcare cost trend rates	5.00% annually
Mortality rates	
Pre-retirement Mortality	RP-2000 Employee Mortality Table projected generationally with Scale BB with base year 2009 for males and females
Post-retirement Mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB with base year 2009 for males and females
Disabled Mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year 2012 for males and females

The mortality assumptions reflect the Public Employee's Retirement Administration Commission (PERAC) recent experience analysis published in 2014 (based on the years 2006-2011) updated to reflect data through January 1, 2015 for post-retirement mortality, and professional judgement. As such, mortality assumptions reflect observed current mortality as well as expected mortality improvements.

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**Long-term Expected Rate of Return**

The chart below shows how the long-term rate of return on assets is developed based on the Town's Investment Policy Statement:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity - Large Capital	20.00%	4.00%
Domestic Equity - Small/Mid Capital	10.00%	6.00%
International Equity - Developed Market	10.00%	4.50%
International Equity - Emerging Market	5.00%	7.00%
Domestic Fixed Income	25.00%	2.00%
International Fixed Income	10.00%	3.00%
Alternatives	20.00%	6.50%
Real Estate	0.00%	6.25%
Total	100.00%	
I. Real Rate of Return		4.30%
II. Add: Inflation Assumption		2.75%
III. Total Nominal Return (I. + II.)		7.05%
IV. Less: Investment Expense		-0.25%
V. Net investment Return (III.-IV.)		6.80%

**Rate of Return**

For the year ended June 30, 2018, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 4.74%.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance Massachusetts General Law Chapter 32. Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the Town's the net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75%) or 1-percentage-point higher (4.75%) than the current rate:

	<b>1% Decrease (2.75%)</b>	<b>Current Discount Rate (3.75%)</b>	<b>1% Increase (4.75%)</b>
Town's net OPEB liability	\$ 81,404,985	\$ 68,945,439	\$ 59,139,627

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates**

The following presents the Town's the net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current healthcare cost trend rates:

	<b>1% Decrease (4.00%)</b>	<b>Healthcare Cost Trend Rates (5.00%)</b>	<b>1% Increase (6.00%)</b>
Town's net OPEB liability	\$ 54,555,105	\$ 68,945,439	\$ 87,698,196

**GASB Statement No. 75 – Financial Reporting for OPEB Employer**

**Summary of Significant Accounting Policies**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year, which are reported at cost.

**Funding Policy**

The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. For the period ending on July 1, 2017 measurement date, the total Town premiums plus implicit costs for the retiree medical program were \$1,759,835. The Town also made a contribution to an OPEB Trust of \$80,000 for a total contribution during the measurement period of \$1,839,835 to be reported on the financial statement for the fiscal year ending June 30, 2018.

**Measurement Date**

GASB Statement No. 75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year, consistently applied from period to period. Accordingly, the net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

**Plan Membership:**

Current active members	440
Current retirees, beneficiaries and dependents	416
Total	856

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**Net OPEB Liability**

The Town's net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The components of the net OPEB liability are as follows:

Total OPEB liability	\$ 69,594,916
Less: Plan fiduciary net position	<u>(291,612)</u>
Town's Net OPEB liability	<u><u>\$ 69,303,304</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.42%

**Actuarial Methods and Assumptions**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement for the reporting date of June 30, 2018:

Valuation date	Actuarially determined contribution was calculated as of July 1, 2017
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	market value of assets as of the measurement date.
Investment rate of return	6.80% annually, net of OPEB plan investment expense Including inflation
Inflation rate	2.75% as of July 1, 2017 and for future periods
Participant salary increases	3.00% as of July 1, 2018 and for future periods
Healthcare cost trend rates	5.00% annually
Mortality rates	
Pre-retirement Mortality	RP-2000 Employee Mortality Table projected generationally with Scale BB with base year 2009 for males and females
Post-retirement Mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB with base year 2009 for males and females
Disabled Mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year 2012 for males and females

The actuarial assumptions used in the July 1, 2017 valuation were reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2018 is 3.13%.

**Rate of Return**

For the year ended June 30, 2018, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 8.24%.

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**Long-term Expected Rate of Return**

The long-term expected rate of return on OPEB plan investments is developed based on the Town's investment policy is summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity - Large Capital	20.00%	4.00%
Domestic Equity - Small/Mid Capital	10.00%	6.00%
International Equity - Developed Market	10.00%	4.50%
International Equity - Emerging Market	5.00%	7.00%
Domestic Fixed Income	25.00%	2.00%
International Fixed Income	10.00%	3.00%
Alternatives	20.00%	6.50%
Real Estate	0.00%	6.25%
Total	100.00%	
I. Real Rate of Return		4.30%
II. Add: Inflation Assumption		2.75%
III. Total Nominal Return (I. + II.)		7.05%
IV. Less: Investment Expense		-0.25%
V. Net investment Return (III.-IV.)		6.80%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance Massachusetts General Law Chapter 32. Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**Changes in the Net OPEB Liability**

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Total OPEB Liability</b>
Balances at July 1, 2016 GASB 45	\$ 62,533,766	\$ 190,985	\$ 62,342,781
Changes in Assumptions for GASB 75	611,648	-	611,648
Balances at July 1, 2016 GASB 75	63,145,414	190,985	62,954,429
Service cost	2,387,415	-	2,387,415
Interest on Total OPEB Liability, service cost and benefit payments	2,263,117	-	2,263,117
Changes in benefit terms *	-	-	-
Changes in assumptions **	-	-	-
Difference between actual and expected experience	3,558,805	-	3,558,805
Net investment income	-	20,627	(20,627)
Employer contributions to Trust	-	1,839,835	(1,839,835)
Benefit payments withdrawn from Trust	-	(1,759,835)	1,759,835
Benefit payments excluding implicit cost	N/A	-	N/A
Implicit cost amount	N/A	-	N/A
Total benefit payments including implicit cost	(1,759,835)	-	(1,759,835)
Administrative expense	-	-	-
Other charges	-	-	-
Net change in total OPEB liability	6,449,502	100,627	6,348,875
Balances at July 1, 2017 GASB 75	\$ 69,594,916	\$ 291,612	\$ 69,303,304

\* = Recognized immediately

\*\* = Amortized over 5.47 years

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	<b>1% Decrease (2.50%)</b>	<b>Current Discount Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
Town's net OPEB liability	\$ 82,086,255	\$ 69,303,304	\$ 59,266,381

**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates**

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current healthcare cost trend rate:

	1% Decrease (4.00%)	Healthcare Cost Trend Rates (5.00%)	1% Increase (6.00%)
Town's net OPEB liability	\$ 54,589,539	\$ 69,303,304	\$ 88,548,469

**Expense, Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the GASB Statement No. 75 reporting period and fiscal year ending date, the Town recognized an OPEB expense of \$3,444,646 and reported deferred outflows of resources related to OPEB of \$2,904,229 and deferred inflows of resources related to OPEB of \$0.

The Town's net deferred outflows/(inflows) of resources related to OPEB will be recognized in the OPEB expense as follows:

For years ended June 30,	
2019	\$ 649,611
2020	649,611
2021	649,611
2022	649,611
2023	305,785
	<u>\$ 2,904,229</u>

**G. Implementation of New GASB Pronouncements**

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Post employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2018.

The GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, for implementation in fiscal year 2018.

The GASB issued Statement No. 85, *Omnibus 2018*, for implementation in fiscal year 2018.

The GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, for implementation in fiscal year 2018.

**H. Future GASB Pronouncements**

Management is currently assessing the impact the implementation of the following pronouncements will have on the basic financial statements.

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, for implementation in fiscal year 2019.



**TOWN OF NORTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2018**

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, for implementation in fiscal year 2019.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2021.

**5. RESTATEMENT**

The net position as of June 30, 2018 has been restated. As required by GASB Statement No. 75, the beginning net position decreased \$36,725,869 (\$35,967,510 for governmental activities and \$758,359 for business-type activities) to reflect the change in the other post employment (OPEB) liability. Accordingly, the previously reported net position of \$44,819,010 has been revised to \$8,093,141 {(\$6,938,401) for governmental activities and \$15,031,542 for business-type activities}.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF NORTON, MASSACHUSETTS**  
**Required Supplementary Information**  
**Pension Plan Schedules**  
**Bristol County Retirement System**  
**For the Year Ended June 30, 2018**

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the Town's proportion of the net pension liability and related ratios.

**Schedule of the Town's Proportionate Share of the Net pension Liability:**

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Town's proportion of the net pension liability (asset)	6.909%	6.909%	6.909%	7.113%
Town's proportionate share of the net pension liability (asset)	\$ 21,558,443	\$ 23,065,864	\$ 23,244,309	\$ 20,323,407
Town's covered employee payroll	\$ 12,539,421	\$ 12,083,846	\$ 11,589,091	\$ 10,091,715
Net pension liability percentage of covered-employee payroll	171.93%	190.88%	200.57%	201.39%
Plan fiduciary net position as a percentage of the total pension liability	68.56%	64.17%	62.95%	67.10%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

**TOWN OF NORTON, MASSACHUSETTS**  
**Required Supplementary Information**  
**Pension Plan Schedules**  
**Bristol County Retirement System**  
**For the Year Ended June 30, 2018**

The Schedule of the Employer Contributions presents multiyear trend information on the Town's required and actual payments to the pension plan and related ratios.

**Schedule of the Town's Contributions:**

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarially determined contribution	\$ 2,601,305	\$ 2,595,139	\$ 2,201,176	\$ 2,084,055
Less: Contributions in relation to the actuarially determined contribution	<u>(2,601,305)</u>	<u>(2,595,139)</u>	<u>(2,201,176)</u>	<u>(2,084,055)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 12,539,421	\$ 12,083,846	\$ 11,589,091	\$ 10,091,715
Contributions percentage of covered-employee payroll	20.75%	21.48%	18.99%	20.65%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

**TOWN OF NORTON, MASSACHUSETTS**  
**Required Supplementary Information**  
**Other Post Employment Benefit Plan (GASB 74) Schedules**  
**For the Year Ended June 30, 2018**

**Schedule of Changes in the Net OPEB Liability:**

	<u>6/30/2018</u>	<u>6/30/2017</u>
<b>Total OPEB liability</b>		
Service cost	\$ 2,061,148	\$ 2,387,415
Interest on total OPEB liability	2,515,454	2,263,118
Changes in Benefit terms	-	-
Difference between expected and actual plan experience	3,896,935	-
Changes in Assumptions	(3,114,887)	-
Benefit payments, including implicit costs	<u>(2,055,896)</u>	<u>(1,759,835)</u>
Net change in total OPEB liability	3,302,754	2,890,698
Total OPEB liability-beginning	<u>66,036,112</u>	<u>63,145,414</u>
<b>Total OPEB liability-ending (a)</b>	<u><u>\$ 69,338,866</u></u>	<u><u>\$ 66,036,112</u></u>
<b>Plan fiduciary net position</b>		
Earnings from plan investments	\$ 16,815	\$ 20,627
Employer contributions to Trust	2,140,896	1,839,835
Benefit payments, including refunds of member contributions	(2,055,896)	(1,759,835)
Administrative expense	-	-
Other charges	-	-
Net change in plan fiduciary net position	<u>101,815</u>	<u>100,627</u>
Total fiduciary net position-beginning	<u>291,612</u>	<u>190,985</u>
<b>Total fiduciary net position-ending (b)</b>	<u><u>\$ 393,427</u></u>	<u><u>\$ 291,612</u></u>
<b>Town's net OPEB liability (a-b)</b>	<u><u>\$ 68,945,439</u></u>	<u><u>\$ 65,744,500</u></u>

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

**TOWN OF NORTON, MASSACHUSETTS**  
**Required Supplementary Information**  
**Other Post Employment Benefit Plan (GASB 74) Schedules**  
**For the Year Ended June 30, 2018**

**Schedule of Net OPEB Liability:**

	<u><b>6/30/2018</b></u>	<u><b>6/30/2017</b></u>
Total OPEB liability	\$ 69,338,866	\$ 66,036,112
Less: Plan fiduciary net position	<u>(393,427)</u>	<u>(291,612)</u>
Town's Net OPEB liability	<u><u>\$ 68,945,439</u></u>	<u><u>\$ 65,744,500</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.57%	0.44%
Town's share of covered employee payroll	\$ 30,289,752	\$ 24,099,366
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	227.62%	272.81%

**Schedule of Contributions:**

	<u><b>6/30/2018</b></u>	<u><b>6/30/2017</b></u>
Actuarially determined contribution	\$ 5,615,319	\$ 5,694,580
Less: Contributions in relation to the actuarially determined contribution	<u>(2,140,896)</u>	<u>(1,839,835)</u>
Contribution deficiency (excess)	<u><u>\$ 3,474,423</u></u>	<u><u>\$ 3,854,745</u></u>
Town's share of covered employee payroll	\$ 30,289,752	\$ 24,099,366
Contributions percentage of covered-employee payroll	7.07%	7.63%
Annual money-weighted rate of return net of investment expense	4.74%	6.80%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

**TOWN OF NORTON, MASSACHUSETTS**  
**Required Supplementary Information**  
**Other Post Employment Benefit Plan (GASB 74) Schedules**  
**For the Year Ended June 30, 2018**

**Schedule of Funding Progress:**

Other Post Employment Benefits							
Date	Actuarial Fiduciary Net Position (A)	Actuarial Total OPEB Liability (B)	Actuarial Net OPEB Liability (B-A)	Actuarial Funded Ratio (A/B)	Actuarial Covered Payroll (C)	Actuarial Percentage of Covered Payroll ((B-A)/C)	
6/30/2018	\$ 393,427	\$ 69,338,866	\$ 68,945,439	0.57%	\$ 30,289,752	227.62%	
6/30/2017	\$ 291,612	\$ 66,036,112	\$ 65,744,500	0.44%	\$ 24,099,366	272.81%	

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

**TOWN OF NORTON, MASSACHUSETTS**  
**Required Supplementary Information**  
**Other Post Employment Benefit Plan (GASB 75) Schedules**  
**For the Year Ended June 30, 2018**

**Schedule of Changes in the Net OPEB Liability:**

<b>Total OPEB liability</b>	
Service cost	\$ 2,387,415
Interest on net OPEB liability	2,263,117
Difference between actual and expected experience	3,558,805
Benefit payments, including refunds of member contributions	(1,759,835)
Net change in total OPEB liability	6,449,502
Total OPEB liability-beginning	62,533,766
Changes in Accounting from GASB 45 to GASB 74	611,648
<b>Total OPEB liability-ending (a)</b>	<b>\$ 69,594,916</b>
 <b>Plan fiduciary net position</b>	
Net investment income	\$ 20,627
Employer contributions to Trust	1,839,835
Benefit payments, including refunds of member contributions	(1,759,835)
Net change in plan fiduciary net position	100,627
Total fiduciary net position-beginning	190,985
<b>Total fiduciary net position-ending (b)</b>	<b>\$ 291,612</b>
 <b>Town's net OPEB liability (a-b)</b>	 <b>\$ 69,303,304</b>

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.



**TOWN OF NORTON, MASSACHUSETTS**  
**Required Supplementary Information**  
**Other Post Employment Benefit Plan (GASB 75) Schedules**  
**For the Year Ended June 30, 2018**

**Schedule of Net OPEB Liability:**

Total OPEB liability	\$ 69,594,916
Less: Plan fiduciary net position	<u>(291,612)</u>
Town's Net OPEB liability	<u><u>\$ 69,303,304</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.42%
Town's share of covered employee payroll	\$ 29,407,526
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	235.67%

**Schedule of Contributions:**

Actuarially determined contribution	\$ 6,028,104
Less: Contributions in relation to the actuarially determined contribution	<u>(1,839,835)</u>
Contribution deficiency (excess)	<u><u>\$ 4,188,269</u></u>
Town's share of covered employee payroll	\$ 29,407,526
Contributions percentage of covered-employee payroll	6.26%
Annual money-weighted rate of return net of investment expense	8.24%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

**TOWN OF NORTON, MASSACHUSETTS**  
**Required Supplementary Information**  
**Other Post Employment Benefit Plan (GASB 75) Schedules**  
**For the Year Ended June 30, 2018**

**Schedule of Funding Progress:**

Other Post Employment Benefits						
Actuarial Valuation Date	Actuarial Fiduciary Net Position (A)	Actuarial Total OPEB Liability (B)	Actuarial Net OPEB Liability (B-A)	Actuarial Funded Ratio (A/B)	Actuarial Covered Payroll (C)	Actuarial Percentage of Covered Payroll ((B-A)/C)
7/1/2017	\$ 291,612	\$ 69,594,916	\$ 69,303,304	0.42%	\$ 29,407,526	235.67%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

## **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, 2018**

	Fund Balances July 1, 2017	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2018
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
School Grants	\$ 17,340	\$ 1,010,222	\$ 1,024,608	\$ (1)	\$ 2,953
Arts Lottery Council Grant	6,798	6,712	5,901	-	7,609
Council on Aging Grants	2,862	29,380	32,227	-	15
Extended Polling Hours	1,577	4,192	542	-	5,227
Highway Grants	26,245	1,047,121	1,047,108	-	26,258
Other Grants and Programs	7,558	48,238	54,238	-	1,558
Planning Grants	-	22,322	17,472	-	4,850
Public Safety Grants	28,006	90,363	111,103	-	7,266
<b>Schools:</b>					
School Lunch Program	29,709	701,545	706,469	-	24,785
School Lunch Commodities	-	40,507	40,507	-	-
School Choice	185,761	548,092	501,076	-	232,777
Revolving Accounts	265,492	1,047,699	938,009	-	375,182
State Special Education Reimbursement	115,009	1,076,535	903,140	-	288,404
<b>Other:</b>					
Ambulance Fund	1,889,881	1,163,256	-	(1,066,970)	1,986,167
Bristol County Homeland Security Grants	565	-	-	-	565
Clean Energy Choice Grant	1,470	-	-	-	1,470
Compost Bin Recycling Bin Revolving	1,371	40	-	-	1,411
Conservation funds	14,834	30,105	22,270	-	22,669
Council on Aging Revolving	3,303	9,211	6,745	-	5,769
Dog Fund	78,829	26,740	-	(10,000)	95,569
Forestry Revolving	1,412	-	-	-	1,412
Gifts and Donations	359,277	160,748	188,946	-	331,079
Hazardous Materials Revolving	5,172	-	705	-	4,467
Insurance Reimbursement	7,656	65,548	32,555	(4,931)	35,718
Jackson Property Fees	39,586	3,400	9,400	-	33,586
Law Enforcement Fund	42,193	6,463	7,589	-	41,067
Parks and Recreation Revolving	9,600	24,732	17,970	-	16,362
<b>Special Revenue Funds Page 76</b>	<b>\$ 3,141,506</b>	<b>\$ 7,163,171</b>	<b>\$ 5,668,580</b>	<b>\$ (1,081,902)</b>	<b>\$ 3,554,195</b>

**TOWN OF NORTON, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Fund Balances July 1, 2017</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Other Financing Sources (Uses)</b>	<b>Fund Balances June 30, 2018</b>
<b>Continued from Page 76</b>	\$ 3,141,506	\$ 7,163,171	\$ 5,668,580	\$ (1,081,902)	\$ 3,554,195
<b>Other (continued):</b>					
Planning Board Review Fund	57,068	32,615	24,010	(167)	65,506
Police Restitution	91	-	91	-	-
Premium on Sale of Bonds	212,478	-	-	(19,339)	193,139
Public Safety Outside Detail Funds	-	802,369	802,369	-	-
Recycling Revolving	10,015	3,838	6,793	-	7,060
Septic Program Funds	944,796	54,240	60,215	(70,000)	868,821
Transportation Network Surcharge	-	1,130	-	-	1,130
Wetlands Protection Fund	32,294	9,753	10,603	(5,000)	26,444
Zoning Board of Appeals Outside Consultant Fees	10,283	3,026	2,318	-	10,991
Conservation Fund	2,015	1	-	-	2,016
Sale of Pines Fund	18,537	10	-	-	18,547
War Memorial Fund	465	-	-	-	465
<b>Total Special Revenue Funds</b>	<b>4,429,548</b>	<b>8,070,153</b>	<b>6,574,979</b>	<b>(1,176,408)</b>	<b>4,748,314</b>
<b>Capital Projects:</b>					
Camp Edith Read Property Acquisition	-	10,000	481,500	-	(471,500)
Chartley Pond Upstream Wall	-	-	3,330	-	(3,330)
Dam Improvements	128,025	-	55,515	-	72,510
Highway Equipment	-	-	154,415	154,415	-
Library Heating and Air Conditioning	-	-	209,686	-	(209,686)
Norton Crossing Improvements	9,233	524,323	524,737	-	8,819
Norton Rail Trail	374,510	-	103,282	-	271,228
Other Projects	25,030	-	-	-	25,030
School Projects	50,211	-	194,073	-	(143,862)
Town Hall Improvements	313,854	-	32,846	-	281,008
Water Shed plan	312,656	-	217,490	-	95,166
<b>Total Capital Projects Fund</b>	<b>\$ 1,213,519</b>	<b>\$ 534,323</b>	<b>\$ 1,976,874</b>	<b>\$ 154,415</b>	<b>\$ (74,617)</b>

**TOWN OF NORTON, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Fund Balances July 1, 2017	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2018
<b>Perpetual Permanent Funds:</b>					
Cemetery Funds	\$ 259,600	\$ 2,600	\$ -	\$ -	\$ 262,200
Library Fund	2,000	-	-	-	2,000
Wetherell Athletic Fund	10,000	-	-	-	10,000
<b>Total Perpetual Permanent Funds</b>	<b>271,600</b>	<b>2,600</b>	<b>-</b>	<b>-</b>	<b>274,200</b>
<b>Permanent Funds:</b>					
Cemetery Funds	87,071	133	7,205	70,000	149,999
Library Fund	3	3	-	-	6
Wetherell Athletic Fund	242	5	-	-	247
<b>Total Permanent Funds</b>	<b>87,316</b>	<b>141</b>	<b>7,205</b>	<b>70,000</b>	<b>150,252</b>
<b>Total - Non-Major Governmental Funds</b>	<b>\$ 6,001,983</b>	<b>\$ 8,607,217</b>	<b>\$ 8,559,058</b>	<b>\$ (951,993)</b>	<b>\$ 5,098,149</b>

**TOWN OF NORTON, MASSACHUSETTS  
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES  
AND DEFERRED PROPERTY TAXES  
JULY 1, 2017 TO JUNE 30, 2018**

	Uncollected Taxes July 1, 2017	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2018	Uncollected Taxes Per Detail June 30, 2018
<b>Real Estate Taxes:</b>						
Levy of 2018	\$ -	\$ 34,619,406	\$ 181,357	\$ 33,851,464	\$ 586,585	\$ 586,585
Levy of 2017	597,312	-	260,562	298,276	38,474	38,474
Levy of 2016	21,845	-	-	234	21,611	21,611
Levy of 2015	3,478	-	-	-	3,478	3,478
Levy of 2014	2,816	-	-	-	2,816	2,816
Prior Years	2,781	-	-	-	2,781	2,781
	<u>628,232</u>	<u>34,619,406</u>	<u>441,919</u>	<u>34,149,974</u>	<u>655,745</u>	<u>655,745</u>
<b>Personal Property Taxes:</b>						
Levy of 2018	-	952,541	17,327	923,228	11,986	11,986
Levy of 2017	15,479	-	-	4,564	10,915	10,915
Levy of 2016	5,220	-	-	584	4,636	4,636
	<u>20,699</u>	<u>952,541</u>	<u>17,327</u>	<u>928,376</u>	<u>27,537</u>	<u>27,537</u>
<b>Total Real Estate and Personal Property Taxes</b>	<u>\$ 648,931</u>	<u>\$ 35,571,947</u>	<u>\$ 459,246</u>	<u>\$ 35,078,350</u>	<u>\$ 683,282</u>	<u>\$ 683,282</u>
<b>Deferred Property Taxes</b>	<u>\$ 59,055</u>	<u>\$ 2,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,686</u>	<u>\$ 61,686</u>

**TOWN OF NORTON, MASSACHUSETTS  
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES  
JULY 1, 2017 TO JUNE 30, 2018**

	Uncollected Taxes July 1, 2017	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2018	Uncollected Taxes Per Detail June 30, 2018
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2018	\$ -	\$ 2,754,730	\$ 33,307	\$ 2,371,422	\$ 350,001	\$ 350,001
Levy of 2017	325,257	329,207	20,568	577,728	56,168	56,168
Levy of 2016	46,946	-	800	29,757	16,389	16,389
Levy of 2015	15,398	-	214	6,000	9,184	9,184
Levy of 2014	7,602	-	-	2,049	5,553	5,553
Prior Years	18,301	-	-	2,193	16,108	16,108
<b>Total Motor Vehicle Excise Taxes</b>	<b>\$ 413,504</b>	<b>\$ 3,083,937</b>	<b>\$ 54,889</b>	<b>\$ 2,989,149</b>	<b>\$ 453,403</b>	<b>\$ 453,403</b>



**TOWN OF NORTON, MASSACHUSETTS  
SCHEDULE OF TAX LIENS AND TAXES IN LITIGATION  
JULY 1, 2017 TO JUNE 30, 2018**

	Uncollected Accounts July 1, 2017	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2018	Uncollected Accounts Per Detail June 30, 2018
Tax Liens	\$ 643,815	\$ 301,208	\$ 19,226	\$ 323,302	\$ 602,495	\$ 602,495
Taxes in Litigation	\$ 1,092	\$ -	\$ -	\$ -	\$ 1,092	\$ 1,092