

TOWN OF NORTON, MASSACHUSETTS
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2020

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Independent Auditor's Report

To the Honorable Select Board
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, 2020, 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, 2020, 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 25, 2021, 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 Deerfield, Massachusetts

February 25, 2021

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, 2020. 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 \$2,467,345 (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 \$4,945,479, or a decrease of \$2,478,134 (50%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$28,415,332, an increase of \$1,960,975 (7%).
- The General Fund's total fund balance decreased \$738,964 (6%) to \$11,868,150. The ending General fund balance is 17% of revenues and transfers in; and 17% of expenditures and transfers out.
- The total liabilities of the Town increased by \$22,640,970 (15%) to \$170,127,021 during the fiscal year. This was mainly attributed to net increases in the other post employment benefit (OPEB) liability of \$10,796,458, in the pension liability of \$8,548,684 and in bonds and leases payable of \$15,241,905; and net decreases in warrants and accounts payable of \$2,767,214 and in bond anticipation notes payable of \$9,073,842.
- The Town had General Fund free cash certified by the Department of Revenue in the amount of \$2,877,433. The key factors that attributed to the free cash amount for fiscal year 2020 were unexpended/unencumbered appropriations of \$1,936,400, excess over budget state and local receipts of \$1,657,500, property taxes received under budget of (\$921,000) and prior year free cash not appropriated of \$221,200.
- The Town's enterprise funds certified free cash are as follows:
 - Sewer fund \$ 2,472,115.
 - Water fund \$ 2,524,261.

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 | | |
|--|--------------------------------|------------------------|-----------------------|
| | 2020 | 2019 | Change |
| Assets: | | | |
| Current assets | \$ 34,097,289 | \$ 34,342,294 | \$ (245,005) |
| Noncurrent assets (excluding capital assets) | 385,374 | 434,167 | (48,793) |
| Capital assets | 68,915,263 | 64,306,434 | 4,608,829 |
| Total assets | 103,397,926 | 99,082,895 | 4,315,031 |
| Deferred Outflows of Resources | 24,685,508 | 13,423,040 | 11,262,468 |
| Liabilities: | | | |
| Current liabilities (excluding debt and leases) | 2,209,696 | 3,630,860 | (1,421,164) |
| Current debt including leases | 3,125,346 | 4,465,489 | (1,340,143) |
| Noncurrent liabilities (excluding debt and leases) | 120,530,621 | 101,176,356 | 19,354,265 |
| Noncurrent debt including leases | 16,085,567 | 13,407,017 | 2,678,550 |
| Total liabilities | 141,951,230 | 122,679,722 | 19,271,508 |
| Deferred Inflows of Resources: | 2,897,840 | 1,974,324 | 923,516 |
| Net Position: | | | |
| Net investment in Capital assets | 50,570,553 | 47,357,453 | 3,213,100 |
| Restricted | 15,193,428 | 13,966,274 | 1,227,154 |
| Unrestricted | (82,529,617) | (73,471,838) | (9,057,779) |
| Total net position | \$ (16,765,636) | \$ (12,148,111) | \$ (4,617,525) |

| | Business-Type Activities | | |
|---|---------------------------------|----------------------|---------------------|
| | 2020 | 2019 | Change |
| Assets: | | | |
| Current assets | \$ 11,215,591 | \$ 12,355,225 | \$ (1,139,634) |
| Capital assets | 35,323,397 | 29,057,406 | 6,265,991 |
| Total assets | 46,538,988 | 41,412,631 | 5,126,357 |
| Deferred Outflows of Resources | 983,962 | 616,297 | 367,665 |
| Liabilities: | | | |
| Current liabilities (excluding debt) | 419,685 | 2,184,813 | (1,765,128) |
| Current debt | 3,646,319 | 10,573,827 | (6,927,508) |
| Noncurrent liabilities (excluding debt) | 3,915,589 | 3,610,655 | 304,934 |
| Noncurrent debt | 20,194,198 | 8,437,034 | 11,757,164 |
| Total liabilities | 28,175,791 | 24,806,329 | 3,369,462 |
| Deferred Inflows of Resources: | 114,178 | 129,009 | (14,831) |
| Net Position: | | | |
| Net Investment in Capital Assets | 11,482,880 | 10,046,545 | 1,436,335 |
| Restricted | 2,673,502 | 2,466,526 | 206,976 |
| Unrestricted | 5,076,599 | 4,580,519 | 496,080 |
| Total net position | \$ 19,232,981 | \$ 17,093,590 | \$ 2,139,391 |

Statement of Activities Highlights

| | Governmental Activities | | |
|---|-------------------------|------------------------|--------------------|
| | 2020 | 2019 | Change |
| Program Revenues: | | | |
| Charges for services | \$ 5,018,098 | \$ 5,522,993 | \$ (504,895) |
| Operating grants and contributions | 25,495,647 | 23,386,770 | 2,108,877 |
| Capital grants and contributions | 4,040,739 | 2,159,632 | 1,881,107 |
| General Revenues: | | | |
| Property taxes | 39,071,540 | 37,441,265 | 1,630,275 |
| Motor vehicle excise and other taxes | 3,064,704 | 3,120,954 | (56,250) |
| Hotel room occupancy and meals taxes | 318,102 | 355,060 | (36,958) |
| Penalties and interest on taxes | 250,899 | 329,257 | (78,358) |
| Nonrestricted grants | 2,268,631 | 2,391,981 | (123,350) |
| Unrestricted investment income | 534,070 | 1,310,726 | (776,656) |
| Miscellaneous | 18,189 | 16,437 | 1,752 |
| Total revenues | 80,080,619 | 76,035,075 | 4,045,544 |
| Expenses: | | | |
| General government | 3,366,932 | 3,040,313 | 326,619 |
| Public safety | 11,078,797 | 10,459,352 | 619,445 |
| Public works | 1,830,930 | 2,525,416 | (694,486) |
| Education | 36,445,046 | 35,984,032 | 461,014 |
| Health and human services | 825,550 | 640,894 | 184,656 |
| Culture and recreation | 684,159 | 566,795 | 117,364 |
| Employee benefits and insurance | 28,304,787 | 23,490,079 | 4,814,708 |
| State assessments | 2,025,486 | 1,899,668 | 125,818 |
| Interest | 565,410 | 548,094 | 17,316 |
| Total expenses | 85,127,097 | 79,154,643 | 5,972,454 |
| Contributions to permanent funds | 12,450 | 11,200 | 1,250 |
| Transfers | 416,503 | 412,131 | 4,372 |
| Change in net position | (4,617,525) | (2,696,237) | (1,921,288) |
| Net position - beginning of year | (12,148,111) | (9,451,874) | (2,696,237) |
| Net position - end of year | \$ (16,765,636) | \$ (12,148,111) | (4,617,525) |

| | Business-Type Activities | | |
|---|--------------------------|----------------------|---------------------|
| | 2020 | 2019 | Change |
| Program Revenues: | | | |
| Charges for services | \$ 5,705,224 | \$ 5,353,958 | \$ 351,266 |
| Operating grants and contributions | 112,847 | 85,495 | 27,352 |
| Capital grants and contributions | 909,368 | - | 909,368 |
| Total revenues | 6,727,439 | 5,439,453 | 1,287,986 |
| Expenses: | | | |
| Sewer | 1,432,532 | 1,660,554 | (228,022) |
| Water | 2,739,013 | 2,220,710 | 518,303 |
| Total expenses | 4,171,545 | 3,881,264 | 290,281 |
| Transfers | (416,503) | (412,131) | (4,372) |
| Change in net position | 2,139,391 | 1,146,058 | 993,333 |
| Net position - beginning of year | 17,093,590 | 15,947,532 | 1,146,058 |
| Net position - end of year | \$ 19,232,981 | \$ 17,093,590 | \$ 2,139,391 |

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 \$2,467,345 at the close of fiscal year 2020.

Net position of \$62,053,433 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, \$17,866,930, represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$77,453,018).

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 \$4,617,525 (38%) during the current fiscal year. The key elements of the decrease in net position for fiscal year 2020 was attributed to the acquisition of \$7,787,988 in new capital assets exceeding the depreciation expense (normally spread out over the useful life of the asset) for the year of \$3,179,159 and increases resulting from the changes in governmental funds of \$1,960,975, in the deferred outflows/(inflows) of resources related to OPEB of \$5,052,208 and related to pensions of \$5,286,744; and decreases as a result of recognizing the changes in the OPEB liability of \$10,900,689, in the pension liability of \$8,153,814 and in debt and leases payable of \$2,915,412 as compared to the prior year.

There was an increase of \$2,139,391 (13%) in net position reported in connection with the sewer and water business-type activities. Of this, there were increases of \$1,362,725 attributed to the sewer department and of \$776,666 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 \$28,415,332, an increase of \$1,960,975 (7%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance – \$297,850 (1%).
- Restricted fund balance – \$13,982,024 (49%).
- Committed fund balance – \$2,665,751 (9%).
- Assigned fund balance – \$5,260,513 (19%).
- Unassigned fund balance – \$6,209,194 (22%).

At the end of the fiscal year, the General Fund reported a total fund balance of \$11,868,150, decreasing \$738,964 (6%) from the prior year. Of the \$11,868,150, the unassigned amount is \$6,607,637 (56%) and the assigned amount is \$5,260,513 (44%). General fund revenues were \$2,720,712 (4%) more than the prior fiscal year and expenditures also increased by \$4,787,268 (7%). Other activity in the General Fund consisted of net transfers from other funds of \$1,761,389.

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 \$693,580 (2%), in licenses, permits and fees of \$346,653 (23%) and in intergovernmental "on-behalf" payments of \$1,651,928 (26%).

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

- Increase in Governmental expenditures of \$382,041 (15%).
- Increase in Public safety expenditures of \$932,058 (10%) (many Fire Department vehicles were purchased).
- Increase in Education expenditures of \$1,274,397 (4%).
- Increase in Employee benefits and insurance of \$1,958,871 (11%).

The *Cyrus Hicks fund* is the accumulation of resources over many years and has a balance of \$8,754,470 at the end of the fiscal year. The fund balance increased by \$79,141 (1%). This amount was attributed to interest of \$377,067, unrealized gain/(loss) of (\$194,176), expenditures of \$3,750 and transfers out to the general fund of \$100,000.

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 \$6,310,307 used in the financing and operations of the Town's sewer system. The sewer fund shows an increase of \$1,362,725 (28%) in total operations. This change was mainly attributed to operating revenues exceeding operating expenses by \$687,517, interest income of \$32,095, intergovernmental and other income of \$789,368, interest expense of \$79,110 and net transfers out to the general fund of \$67,145. Operating revenues increased by \$128,292 (7%) while operating expenses decreased by \$240,629 (15%) from the prior year.

The *Water Fund* has accumulated a fund balance of \$12,922,674 used in the financing and operations of the Town's water system. The water fund shows an increase of \$776,666 (6%) in total operations. This change resulted from operating revenues exceeding operating expenses by \$1,378,890, interest income of \$80,752, other income of \$120,000, interest expense of \$453,618 and net transfers out to governmental funds of \$349,38. Operating revenues increased by \$222,972 (6%) and operating expenses also increased by \$344,375 (18%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2020 was \$67,770,720. This was an increase of \$3,651,108 (6%) over the previous year's budget.

There was an increase of \$2,564,180 between the original budget and the total final amended budget. The change is attributed to votes made at the Special Town Meetings in October 2019 for various budget operating line items.

General fund expenditures were less than budgeted by \$5,530,584. Of the \$5,530,584 in under budget expenditures, \$3,594,128 has been carried over to fiscal year 2021.

There were negative variances in property taxes of \$921,342, in intergovernmental receipts of \$4,523, and in interest and penalties on taxes of \$46,101 as expectations (budget) were higher than the receipts.

Overall, the variance with the final budget was a positive \$2,672,596 consisting of a revenue surplus of \$736,140 and an appropriation surplus of \$1,936,456.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities amounts to \$68,915,263 and \$35,323,397, 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:

- Foreclosure properties for \$39,136.
- Town Hall heating and air conditioning for \$45,850.
- Rail Trail design and improvements for \$21,223.
- Chartley Pond upstream wall construction for \$44,811.
- Police vehicle purchases for \$83,451.
- Fire Department vehicle and equipment purchases for \$669,182.
- Highway vehicle purchase for \$160,958.
- Road improvements/infrastructure for \$523,775.
- School vehicle and equipment purchases for \$80,855.
- School Buildings' improvements for \$6,118,747.

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

In the Sewer Fund:

- Sewer vehicle purchase for \$52,839.
- Sewer infrastructure improvements for \$2,963,056.

In the Water Fund:

- Water vehicle purchase for \$52,839.
- Water infrastructure improvements for \$4,066,782.

Debt Administration. The Town's outstanding governmental long-term debt, as of June 30, 2020, totaled \$17,774,383, of which \$13,925,000 is for various school building renovations, \$420,000 is for various land acquisitions, \$450,000 is for sewer projects, \$435,000 for the water management projects, \$630,000 is for the building improvements, \$190,000 is for a rail trail project, \$695,000 is for Dam improvements, \$175,000 is for landfill capping, \$270,000 is for the watershed plan and \$584,383 is for the Title V septic loan projects.

The governmental activities currently have \$1,277,533 in bond anticipation notes outstanding for various projects.

The Town has capital governmental leases for financing the acquisition of highway vehicles and equipment. The last lease is due in 2023. The Town currently owes \$173,433 on these leases consisting of \$158,997 in principal and \$14,436 in interest.

The business-type funds outstanding long-term debt totaling \$21,672,034 consists of \$3,087,034 in sewer debt and \$18,585,000 which relates to water projects that are fully supported by the rates.

The Town also has \$2,168,483 in business-type temporary debt for the sewer projects.

Please refer to notes 3D, 3F, 3G and 3H 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, 2020 do not reflect the fiscal year 2021 Town Meeting action except for the free cash and stabilization funds' amounts used to fund the 2021 budget.

The Annual Town Meeting on June 27, 2020 authorized a fiscal year 2021 operating and capital budget as follows:

| | | |
|---|----------------|----------------------|
| From the tax levy | | \$ 58,916,053 |
| From sewer receipts | | 1,670,892 |
| From water receipts | \$ 3,915,289 | |
| From water retained earnings | <u>291,354</u> | 4,206,643 |
| From Other Available Funds: | | |
| General Fund: | | |
| Unassigned fund balance: | | |
| Free cash | | 810,735 |
| Stabilization fund | 439,500 | |
| Capital improvement stabilization fund | <u>416,150</u> | 855,650 |
| Cyrus Hicks fund | | 100,000 |
| Non-major Governmental Funds: | | |
| Ambulance fund | 700,000 | |
| Dog fund | 10,000 | |
| Premium on Sale of Bonds | 15,320 | |
| Septic repair program funds | 35,000 | |
| Wetlands protection fund | <u>3,000</u> | 763,320 |
| | | <u>\$ 67,323,293</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 02766.

BASIC FINANCIAL STATEMENTS

TOWN OF NORTON, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2020

| | Primary Government | | |
|---|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and Cash Equivalents | \$ 17,228,761 | \$ 9,607,643 | \$ 26,836,404 |
| Investments | 12,513,028 | - | 12,513,028 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property Taxes | 1,594,651 | - | 1,594,651 |
| Deferred Property Taxes | 101,535 | - | 101,535 |
| Tax Liens | 505,298 | - | 505,298 |
| Excise Taxes | 286,237 | - | 286,237 |
| User Charges | - | 1,351,810 | 1,351,810 |
| Departmental | 371,745 | - | 371,745 |
| Special Assessments | 67,693 | - | 67,693 |
| Due from Other Governments | 1,428,341 | 256,138 | 1,684,479 |
| Total current assets | 34,097,289 | 11,215,591 | 45,312,880 |
| NONCURRENT: | | | |
| Receivables, net of allowance for uncollectibles: | | | |
| Special Assessments | 290,095 | - | 290,095 |
| Due from Other Governments | 95,279 | - | 95,279 |
| Capital Assets, net of accumulated Depreciation | | | |
| Nondepreciable | 16,736,198 | 15,465,404 | 32,201,602 |
| Depreciable | 52,179,065 | 19,857,993 | 72,037,058 |
| Total noncurrent assets | 69,300,637 | 35,323,397 | 104,624,034 |
| Total Assets | 103,397,926 | 46,538,988 | 149,936,914 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflows Related to Pensions | 11,343,990 | 693,351 | 12,037,341 |
| Deferred Outflows Related to OPEB | 13,341,518 | 290,611 | 13,632,129 |
| Total Deferred Outflows of Resources | 24,685,508 | 983,962 | 25,669,470 |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants and Accounts Payable | 28,776 | 67,139 | 95,915 |
| Accrued Payroll | 670,951 | 50,384 | 721,335 |
| Payroll Withholdings | 460,677 | - | 460,677 |
| Tax Refund Payable | 50,100 | - | 50,100 |
| Accrued Interest | 91,721 | 222,046 | 313,767 |
| Other | 4,168 | - | 4,168 |
| Compensated Absences | 903,303 | 80,116 | 983,419 |
| Bond Anticipation Notes Payable | 1,277,533 | 2,168,483 | 3,446,016 |
| Bonds and Leases Payable | 1,847,813 | 1,477,836 | 3,325,649 |
| Total current liabilities | 5,335,042 | 4,066,004 | 9,401,046 |
| NONCURRENT: | | | |
| Compensated Absences | 1,793,184 | 60,744 | 1,853,928 |
| Net OPEB Liability | 86,492,683 | 1,884,028 | 88,376,711 |
| Net Pension Liability | 32,244,754 | 1,970,817 | 34,215,571 |
| Bonds and Leases Payable | 16,085,567 | 20,194,198 | 36,279,765 |
| Total noncurrent liabilities | 136,616,188 | 24,109,787 | 160,725,975 |
| Total Liabilities | 141,951,230 | 28,175,791 | 170,127,021 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Inflows Related to Pensions | 1,297,861 | 79,326 | 1,377,187 |
| Deferred Inflows Related to OPEB | 1,599,979 | 34,852 | 1,634,831 |
| Total Deferred Inflows of Resources | 2,897,840 | 114,178 | 3,012,018 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 50,570,553 | 11,482,880 | 62,053,433 |
| Restricted for: | | | |
| Capital Projects | 1,709,054 | 2,673,502 | 4,382,556 |
| Federal & State Grants | 1,650,914 | - | 1,650,914 |
| Permanent Funds: | | | |
| Expendable | 128,018 | - | 128,018 |
| Nonexpendable | 297,850 | - | 297,850 |
| Other Purposes | 11,407,592 | - | 11,407,592 |
| Unrestricted | (82,529,617) | 5,076,599 | (77,453,018) |
| Total Net Position | \$ (16,765,636) | \$ 19,232,981 | \$ 2,467,345 |

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, 2020**

| | Program Revenues | | | | Net (Expenses) Revenues and Changes in Net Position | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| General Government | \$ 3,366,932 | \$ 313,285 | \$ 573,615 | \$ 49,303 | \$ (2,430,729) | \$ - | \$ (2,430,729) |
| Public Safety | 11,078,797 | 3,529,642 | 227,913 | - | (7,321,242) | - | (7,321,242) |
| Public Works | 1,830,930 | 42,538 | 156 | 673,321 | (1,114,915) | - | (1,114,915) |
| Education | 36,445,046 | 952,137 | 16,356,238 | 3,278,115 | (15,858,556) | - | (15,858,556) |
| Health and Human Services | 825,550 | 158,326 | 213,317 | - | (453,907) | - | (453,907) |
| Culture and Recreation | 684,159 | 22,170 | 63,495 | 40,000 | (558,494) | - | (558,494) |
| Employee Benefits and Insurance | 28,304,787 | - | 8,042,797 | - | (20,261,990) | - | (20,261,990) |
| State Assessments | 2,025,486 | - | - | - | (2,025,486) | - | (2,025,486) |
| Interest | 565,410 | - | 18,116 | - | (547,294) | - | (547,294) |
| Total Governmental Activities | 85,127,097 | 5,018,098 | 25,495,647 | 4,040,739 | (50,572,613) | - | (50,572,613) |
| Business-Type Activities: | | | | | | | |
| Sewer | 1,432,532 | 2,040,939 | 32,095 | 789,368 | - | 1,429,870 | 1,429,870 |
| Water | 2,739,013 | 3,664,285 | 80,752 | 120,000 | - | 1,126,024 | 1,126,024 |
| Total Primary Government | \$ 89,298,642 | \$ 10,723,322 | \$ 25,608,494 | \$ 4,950,107 | (50,572,613) | 2,555,894 | (48,016,719) |
| General Revenues: | | | | | | | |
| Property Taxes | | | | | 39,071,540 | - | 39,071,540 |
| Motor vehicle and other taxes | | | | | 3,064,704 | - | 3,064,704 |
| Hotel room occupancy and meal taxes | | | | | 318,102 | - | 318,102 |
| Penalties & Interest on taxes | | | | | 250,899 | - | 250,899 |
| Grants & Contributions not restricted to specific programs | | | | | 2,268,631 | - | 2,268,631 |
| Unrestricted Investment Income | | | | | 534,070 | - | 534,070 |
| Miscellaneous | | | | | 18,189 | - | 18,189 |
| Contributions to Permanent Funds | | | | | 12,450 | - | 12,450 |
| Transfers, net | | | | | 416,503 | (416,503) | - |
| Total General Revenues, Contributions and Transfers | | | | | 45,955,088 | (416,503) | 45,538,585 |
| Change in Net Position | | | | | (4,617,525) | 2,139,391 | (2,478,134) |
| Net Position: | | | | | | | |
| Beginning of year (as restated) | | | | | (12,148,111) | 17,093,590 | 4,945,479 |
| End of year | | | | | \$ (16,765,636) | \$ 19,232,981 | \$ 2,467,345 |

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

TOWN OF NORTON, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

| | General Fund | Cyrus Hicks Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------|-----------------------------------|--------------------------------|
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 8,981,723 | \$ - | \$ 8,247,038 | \$ 17,228,761 |
| Investments | 3,758,558 | 8,754,470 | - | 12,513,028 |
| Receivables, net of allowance for uncollectibles: | | | | |
| Property Taxes | 1,594,651 | - | - | 1,594,651 |
| Deferred Property Taxes | 101,535 | - | - | 101,535 |
| Tax Liens | 505,298 | - | - | 505,298 |
| Excise Taxes | 286,237 | - | - | 286,237 |
| Departmental | - | - | 371,745 | 371,745 |
| Special Assessments | 91,867 | - | 265,921 | 357,788 |
| Due from Other Governments | 154,328 | - | 1,220,705 | 1,375,033 |
| Total Assets | \$ 15,474,197 | \$ 8,754,470 | \$ 10,105,409 | \$ 34,334,076 |
| Liabilities: | | | | |
| Warrants and Accounts Payable | \$ 28,473 | \$ - | \$ 303 | \$ 28,776 |
| Accrued Payroll | 599,613 | - | 71,338 | 670,951 |
| Payroll Withholdings | 460,677 | - | - | 460,677 |
| Tax Refund Payable | 50,100 | - | - | 50,100 |
| Other | 4,168 | - | - | 4,168 |
| Bond Anticipation Notes Payable | - | - | 1,277,533 | 1,277,533 |
| Total Liabilities | 1,143,031 | - | 1,349,174 | 2,492,205 |
| Deferred Inflows of Resources: | | | | |
| Unavailable Revenue | 2,463,016 | - | 963,523 | 3,426,539 |
| Fund Balance: | | | | |
| Non-Spendable | - | - | 297,850 | 297,850 |
| Restricted | - | 8,754,470 | 5,227,554 | 13,982,024 |
| Committed | - | - | 2,665,751 | 2,665,751 |
| Assigned | 5,260,513 | - | - | 5,260,513 |
| Unassigned | 6,607,637 | - | (398,443) | 6,209,194 |
| Total Fund Balance | 11,868,150 | 8,754,470 | 7,792,712 | 28,415,332 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 15,474,197 | \$ 8,754,470 | \$ 10,105,409 | \$ 34,334,076 |

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, 2020

| | General Fund | Cyrus Hicks Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------------|-----------------------------|--|---|
| Revenues: | | | | |
| Property Taxes | \$ 38,227,178 | \$ - | \$ - | \$ 38,227,178 |
| Intergovernmental | 15,581,461 | - | 7,374,006 | 22,955,467 |
| Excise and Other Taxes | 3,486,013 | - | - | 3,486,013 |
| Charges for Services | - | - | 3,369,637 | 3,369,637 |
| Licenses, Permits, Fees | 1,843,053 | - | - | 1,843,053 |
| Interest and Penalties on Taxes | 250,899 | - | - | 250,899 |
| Investment Income | 351,179 | 182,891 | 758 | 534,828 |
| Gifts and Donations | - | - | 70,086 | 70,086 |
| Other | - | - | 89,463 | 89,463 |
| Intergovernmental - "On-behalf" Payments | 8,102,466 | - | - | 8,102,466 |
| Total Revenues | 67,842,249 | 182,891 | 10,903,950 | 78,929,090 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 2,929,541 | 3,750 | 444,812 | 3,378,103 |
| Public Safety | 9,901,560 | - | 1,071,222 | 10,972,782 |
| Public Works | 1,201,905 | - | 712,525 | 1,914,430 |
| Education | 31,403,960 | - | 9,482,214 | 40,886,174 |
| Health and Human Services | 664,398 | - | 123,202 | 787,600 |
| Culture and Recreation | 529,853 | - | 83,194 | 613,047 |
| Employee Benefits and Insurance | 19,589,236 | - | - | 19,589,236 |
| State Assessments | 2,025,486 | - | - | 2,025,486 |
| Debt Service: | | | | |
| Principal | 1,526,441 | - | - | 1,526,441 |
| Interest | 570,222 | - | - | 570,222 |
| Total Expenditures | 70,342,602 | 3,750 | 11,917,169 | 82,263,521 |
| Excess of Revenues Over (Under) Expenditures | (2,500,353) | 179,141 | (1,013,219) | (3,334,431) |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers In | 1,790,694 | - | - | 1,790,694 |
| Operating Transfers Out | (29,305) | (100,000) | (1,244,886) | (1,374,191) |
| Capital Lease | - | - | 124,966 | 124,966 |
| Bond Premium | - | - | 323,937 | 323,937 |
| Proceeds from Bonds and Notes | - | - | 4,430,000 | 4,430,000 |
| Total Other Financing Sources (Uses) | 1,761,389 | (100,000) | 3,634,017 | 5,295,406 |
| Net Change in Fund Balances | (738,964) | 79,141 | 2,620,798 | 1,960,975 |
| Fund Balances, Beginning of Year | 12,607,114 | 8,675,329 | 5,171,914 | 26,454,357 |
| Fund Balances, End of Year | \$ 11,868,150 | \$ 8,754,470 | \$ 7,792,712 | \$ 28,415,332 |

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, 2020

| | | |
|--|--------------------|-------------------------------|
| Total Governmental Fund Balances | | \$ 28,415,332 |
| Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds. | | 68,915,263 |
| Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis. | | 3,575,126 |
| 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. | | 21,787,668 |
| 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 | \$ (17,933,380) | |
| Net Other Post Employment Benefits Liability | (86,492,683) | |
| Net Pension Liability | (32,244,754) | |
| Compensated Absences | <u>(2,696,487)</u> | (139,367,304) |
| In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due. | | <u>(91,721)</u> |
| Net Position of Governmental Activities | | <u><u>\$ (16,765,636)</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, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 1,960,975

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 | \$ 7,787,988 | |
| Depreciation | <u>(3,179,159)</u> | 4,608,829 |

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.

840,042

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 | 1,639,554 | |
| Capital Lease Financing | (124,966) | |
| Proceeds from Bonds and Notes | <u>(4,430,000)</u> | (2,915,412) |

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 | (401,220) | |
| Net Change in Net Other Post Employment Benefits Liability | (10,900,689) | |
| Net Change in Deferred Outflow/(Inflow) of Resources Related to OPEB | 5,052,208 | |
| Net Change in Net Pension Liability | (8,153,814) | |
| Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions | 5,286,744 | |
| Net Change in Accrued Interest on Long-Term Debt | <u>4,812</u> | (9,111,959) |

Change in Net Position of Governmental Activities \$ (4,617,525)

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, 2020

| | 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) |
| Revenues: | | | | | | |
| Property Taxes | \$ - | \$ 39,097,120 | \$ 39,097,120 | \$ 38,175,778 | \$ - | \$ (921,342) |
| Intergovernmental | - | 15,585,984 | 15,585,984 | 15,581,461 | - | (4,523) |
| Excise and Other Taxes | - | 2,925,000 | 2,925,000 | 3,486,013 | - | 561,013 |
| Licenses, Permits, Fees | - | 904,748 | 904,748 | 1,843,053 | - | 938,305 |
| Interest and Penalties on Taxes | - | 297,000 | 297,000 | 250,899 | - | (46,101) |
| Interest on Investments | - | 65,000 | 65,000 | 273,788 | - | 208,788 |
| Total Revenues | - | 58,874,852 | 58,874,852 | 59,610,992 | - | 736,140 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General Government | 2,298,442 | 2,465,244 | 5,564,990 | 2,929,541 | 2,329,914 | 305,535 |
| Public Safety | 611,546 | 9,175,416 | 10,672,172 | 9,901,560 | 456,714 | 313,898 |
| Public Works | 82,539 | 1,224,564 | 1,372,088 | 1,201,905 | 126,457 | 43,726 |
| Education | 446,113 | 30,882,070 | 31,995,383 | 31,403,960 | 344,675 | 246,748 |
| Health and Human Services | 66,005 | 705,690 | 772,176 | 664,398 | 55,368 | 52,410 |
| Culture and Recreation | 182 | 503,524 | 533,706 | 529,853 | 513 | 3,340 |
| Employee Benefits and Insurance | 250,508 | 12,372,439 | 12,737,947 | 11,554,000 | 280,487 | 903,460 |
| State Assessments | - | 2,040,155 | 2,040,155 | 2,025,486 | - | 14,669 |
| Debt Service: | | | | | | |
| Principal | - | 1,481,291 | 1,481,291 | 1,481,291 | - | - |
| Interest | - | 600,812 | 600,812 | 548,142 | - | 52,670 |
| Total Expenditures | 3,755,335 | 61,451,205 | 67,770,720 | 62,240,136 | 3,594,128 | 1,936,456 |
| Excess of Revenues Over (Under) Expenditures | (3,755,335) | (2,576,353) | (8,895,868) | (2,629,144) | (3,594,128) | 2,672,596 |
| Other Financing Sources (Uses): | | | | | | |
| Operating Transfers In | - | 1,923,158 | 3,010,154 | 3,010,879 | - | 725 |
| Operating Transfers Out | - | (29,305) | (1,702,030) | (1,702,030) | - | - |
| Total Other Financing Sources (Uses) | - | 1,893,853 | 1,308,124 | 1,308,849 | - | 725 |
| Net Change in Budgetary Fund Balance | (3,755,335) | (682,500) | (7,587,744) | \$ (1,320,295) | \$ (3,594,128) | \$ 2,673,321 |
| Other Budgetary Items: | | | | | | |
| Free Cash and Other Reserves | - | 682,500 | 3,832,409 | | | |
| Prior Year Encumbrances | 3,755,335 | - | 3,755,335 | | | |
| Total Other Budgetary Items | 3,755,335 | 682,500 | 7,587,744 | | | |
| NET BUDGET | \$ - | \$ - | \$ - | | | |

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, 2020

| | Revenues | Expenditures |
|---|----------------------|----------------------|
| Reported on a Budgetary Basis | \$ 59,610,992 | \$ 62,240,136 |
| <u>Adjustments:</u> | | |
| Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes | 77,391 | - |
| Net Decrease in Revenue from recording Refund Taxes Payable | (50,100) | - |
| Recognition of Intergovernmental Revenue - "on behalf payments" | 8,102,466 | - |
| Recognition of Expenditures - "on behalf payments" | - | 8,102,466 |
| Net Increase in Revenue from Recording 60-Day Receipts | 101,500 | - |
| Reported on a GAAP Basis | <u>\$ 67,842,249</u> | <u>\$ 70,342,602</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, 2020

| | Business-Type Activities Enterprise Funds | | |
|---|--|----------------------|----------------------|
| | Sewer Fund | Water Fund | Total |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and Cash Equivalents | \$ 2,796,729 | \$ 6,810,914 | \$ 9,607,643 |
| User Charges, net of allowance for uncollectibles | 381,356 | 970,454 | 1,351,810 |
| Due from Other Governments | - | 256,138 | 256,138 |
| Total current assets | 3,178,085 | 8,037,506 | 11,215,591 |
| NONCURRENT: | | | |
| Capital Assets, net of accumulated depreciation: | | | |
| Nondepreciable | 3,302,569 | 12,162,835 | 15,465,404 |
| Depreciable | 5,512,897 | 14,345,096 | 19,857,993 |
| Total noncurrent assets | 8,815,466 | 26,507,931 | 35,323,397 |
| Total Assets | 11,993,551 | 34,545,437 | 46,538,988 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflows Related to Pensions | 98,706 | 594,645 | 693,351 |
| Deferred Outflows Related to OPEB | 28,558 | 262,053 | 290,611 |
| Total Deferred Outflows of Resources | 127,264 | 856,698 | 983,962 |
| LIABILITIES | | | |
| CURRENT: | | | |
| Accounts Payable | 17,522 | 49,617 | 67,139 |
| Accrued Payroll | 5,349 | 45,035 | 50,384 |
| Accrued Interest | 26,427 | 195,619 | 222,046 |
| Compensated Absences | 15,891 | 64,225 | 80,116 |
| Bond Anticipation Notes Payable | 2,168,483 | - | 2,168,483 |
| Bonds Payable | 176,191 | 1,301,645 | 1,477,836 |
| Total current liabilities | 2,409,863 | 1,656,141 | 4,066,004 |
| NONCURRENT: | | | |
| Compensated Absences | 9,373 | 51,371 | 60,744 |
| Net OPEB Liability | 185,143 | 1,698,885 | 1,884,028 |
| Net Pension Liability | 280,568 | 1,690,249 | 1,970,817 |
| Bonds Payable | 2,910,843 | 17,283,355 | 20,194,198 |
| Total noncurrent liabilities | 3,385,927 | 20,723,860 | 24,109,787 |
| Total Liabilities | 5,795,790 | 22,380,001 | 28,175,791 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Inflows Related to Pensions | 11,293 | 68,033 | 79,326 |
| Deferred Inflows Related to OPEB | 3,425 | 31,427 | 34,852 |
| Total Deferred Inflows of Resources | 14,718 | 99,460 | 114,178 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 3,559,949 | 7,922,931 | 11,482,880 |
| Restricted for Capital | 46,780 | 2,626,722 | 2,673,502 |
| Unrestricted | 2,703,578 | 2,373,021 | 5,076,599 |
| Total Net Position | \$ 6,310,307 | \$ 12,922,674 | \$ 19,232,981 |

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, 2020

| | Business-Type Activities Enterprise Funds | | |
|--|--|----------------------|----------------------|
| | Sewer Fund | Water Fund | Total |
| Operating Revenues: | | | |
| Charges for Services | \$ 2,034,687 | \$ 3,236,790 | \$ 5,271,477 |
| Other | 6,252 | 427,495 | 433,747 |
| Total Operating Revenues | 2,040,939 | 3,664,285 | 5,705,224 |
| Operating Expenses: | | | |
| Salaries & Wages | 152,726 | 848,380 | 1,001,106 |
| Operating Expenses | 919,591 | 848,595 | 1,768,186 |
| Depreciation | 281,105 | 588,420 | 869,525 |
| Total Operating Expenses | 1,353,422 | 2,285,395 | 3,638,817 |
| Operating Income (Loss) | 687,517 | 1,378,890 | 2,066,407 |
| Non-Operating Revenues (Expenses): | | | |
| Investment Income | 32,095 | 80,752 | 112,847 |
| Intergovernmental | 764,368 | - | 764,368 |
| Other | 25,000 | 120,000 | 145,000 |
| Interest Expense | (79,110) | (453,618) | (532,728) |
| Total Non-Operating Revenues (Expenses) | 742,353 | (252,866) | 489,487 |
| Income (Loss) Before Operating Transfers | 1,429,870 | 1,126,024 | 2,555,894 |
| Operating Transfers: | | | |
| Transfer In | 29,305 | - | 29,305 |
| Transfers (Out) | (96,450) | (349,358) | (445,808) |
| Total Operating Transfers | (67,145) | (349,358) | (416,503) |
| Change in Net Position | 1,362,725 | 776,666 | 2,139,391 |
| Net Position at Beginning of Year (as restated) | 4,947,582 | 12,146,008 | 17,093,590 |
| Net Position at End of Year | \$ 6,310,307 | \$ 12,922,674 | \$ 19,232,981 |

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, 2020**

| | Business-Type Activities Enterprise Funds | | |
|---|--|-----------------------|---------------------|
| | Sewer Fund | Water Fund | Total |
| Cash Flows From Operating Activities: | | | |
| Receipts from Customers and Users | \$ 2,016,641 | \$ 3,158,433 | \$ 5,175,074 |
| Receipts from Other Revenues | 6,252 | 427,495 | 433,747 |
| Payments to Vendors | (1,059,806) | (862,992) | (1,922,798) |
| Payments to Employees | (149,148) | (806,580) | (955,728) |
| Net Cash Provided by (Used for) Operating Activities | 813,939 | 1,916,356 | 2,730,295 |
| Cash Flows from Noncapital Financing Activities: | | | |
| Transfers from (to) Other Funds | (67,145) | (349,358) | (416,503) |
| Net Cash Provided by (Used for) Noncapital Financing Activities | (67,145) | (349,358) | (416,503) |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition and Construction of Capital Assets | (3,015,895) | (5,943,541) | (8,959,436) |
| Proceeds from the Issuance of Bonds and Notes | - | 780,000 | 780,000 |
| WPAT Project Drawdowns | 2,168,483 | 3,858,878 | 6,027,361 |
| Intergovernmental | 764,368 | - | 764,368 |
| Other | 25,000 | 120,000 | 145,000 |
| Principal Payments on Bonds and Notes | (173,507) | (760,000) | (933,507) |
| Interest Expense | (80,290) | (361,975) | (442,265) |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | (311,841) | (2,306,638) | (2,618,479) |
| Cash Flows from Investing Activities: | | | |
| Investment Income | 32,095 | 80,752 | 112,847 |
| Net Cash Provided by (Used for) Investing Activities | 32,095 | 80,752 | 112,847 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 467,048 | (658,888) | (191,840) |
| Cash and Cash Equivalents at Beginning of Year | 2,329,681 | 7,469,802 | 9,799,483 |
| Cash and Cash Equivalents at End of Year | \$ 2,796,729 | \$ 6,810,914 | \$ 9,607,643 |

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

| | | | |
|--|-------------------|---------------------|---------------------|
| Operating Income (Loss) | \$ 687,517 | \$ 1,378,890 | \$ 2,066,407 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Depreciation | 281,105 | 588,420 | 869,525 |
| Deferred (Outflows)/Inflows of Resources Related to Pension | (23,522) | (279,161) | (302,683) |
| Deferred (Outflows)/Inflows of Resources Related to OPEB | (4,265) | (75,548) | (79,813) |
| Change in Assets and Liabilities: | | | |
| Increase (Decrease) in Accounts Payable | (18,894) | (43,861) | (62,755) |
| Increase (Decrease) in Accrued Payroll | 899 | 20,465 | 21,364 |
| Increase (Decrease) in Compensated Absences | 2,679 | 21,335 | 24,014 |
| Increase (Decrease) in Net OPEB Liability | (50,699) | (53,532) | (104,231) |
| Increase (Decrease) in Net Pension Liability | (42,835) | 437,705 | 394,870 |
| Decrease (Increase) in User Charges Receivable | (18,046) | (78,357) | (96,403) |
| Total Adjustments | 126,422 | 537,466 | 663,888 |
| Net Cash Provided by (Used for) Operating Activities | \$ 813,939 | \$ 1,916,356 | \$ 2,730,295 |

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, 2020

| | <div> <div>Other</div> <div>Post Employment</div> <div>Benefits</div> <div>Trust Fund</div> </div> <div> <div>Private</div> <div>Purpose</div> <div>Trust Funds</div> </div> <div> <div>Agency</div> <div>Funds</div> </div> | | |
|----------------------------------|--|---------|------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ | - | \$ 152,404 |
| Investments | | 623,019 | - |
| Total Assets | | 623,019 | 152,404 |
| | | | 577,146 |
| LIABILITIES | | | |
| Due to Others | | - | - |
| Due to Student Groups | | - | - |
| Deposits and Escrows | | - | - |
| Total Liabilities | | - | - |
| | | | 7,721 |
| | | | 140,100 |
| | | | 429,325 |
| | | | 577,146 |
| NET POSITION | | | |
| Held in Trust for Other Purposes | \$ | 623,019 | \$ 152,404 |
| | | | \$ - |

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, 2020

| | Other Post Employment Benefits Trust Fund | Private Purpose Trust Funds |
|--|--|--|
| Additions | | |
| Contributions: | | |
| Employer | \$ 2,574,749 | \$ - |
| Private Donations | - | 93,095 |
| Investment Income | 13,791 | 577 |
| Total Additions | 2,588,540 | 93,672 |
| Deductions: | | |
| Educational Scholarships | - | 37,300 |
| Insurance and Employee Benefits | 2,479,749 | - |
| Total Deductions | 2,479,749 | 37,300 |
| Change in Net Position | 108,791 | 56,372 |
| Net Position at Beginning of Year | 514,228 | 96,032 |
| Net Position at End of Year | \$ 623,019 | \$ 152,404 |

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, 2020

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 Select Board.

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 2020, 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, 2020

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, 2020

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, 2020

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, 2020

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

Property taxes are based on assessments as of January 1, 2019 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 2020 on June 28, 2019, that were due on August 1, 2019 and November 1, 2019 and actual bills on December 30, 2019 that were due on February 1, 2020 and June 1, 2020.

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 2020 is as follows;

| | |
|------------------------------------|-----------------------------|
| Legal Levy Limit Under Proposition | |
| 2 1/2 for fiscal year 2020 | \$ 38,391,163 |
| Add: Debt Exclusion | <u>1,031,957</u> |
| Maximum Allowable Levy | <u><u>\$ 39,423,120</u></u> |

The total amount raised by taxation was \$39,397,467.

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, 2020

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 septic Title V 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, 2020

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

| Capital Asset Type | Years |
|--------------------------------|--------------|
| Buildings and renovations | 20-40 |
| Machinery, equipment and other | 3-10 |
| Infrastructure | 20-50 |

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

H. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

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

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

I. Deferred 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 are *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 items in this category are *deferred inflows related to pensions and deferred inflows related to OPEB*.

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, 2020

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, 2020

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, 2020

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 2020, the Town incurred a final budget deficit of \$7,587,744 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 | \$ 3,832,409 |
| Prior year's encumbrances | <u>3,755,335</u> |
| | <u>\$ 7,587,744</u> |

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

B. Deficit Fund Balances

The following funds have deficits at June 30, 2020 as measured by the balance of unreserved fund balance.

- The *Camp Edith Read property acquisition* capital project fund has a deficit of \$163,308. The Town has an outstanding bond anticipation note for \$163,308. The deficit will be eliminated upon the issuance of permanent debt.
- The *LED street lights* capital project fund has a deficit of \$102,157. The Town has an outstanding bond anticipation note for \$373,726. The deficit will be eliminated upon the issuance of permanent debt.
- The *Massachusetts Clean Water Trust septic loan program* special revenue fund has a deficit of \$132,978. The Town has an outstanding bond anticipation note for \$140,499. The deficit will be eliminated upon the issuance of permanent debt or appropriation.

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, 2020 were \$28,758,382. Of these, \$232,766 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.

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

As of June 30, 2020, the Town had the following investments and maturities:

| Investment Type | Fair Value | Investment Maturities (in Years) | | |
|---------------------------------------|----------------------|-------------------------------------|--------------|------------|
| | | Less Than 1 | 1 to 5 | 6 to 10 |
| Debt Securities: | | | | |
| U. S. treasury obligations | \$ 480,649 | \$ 340,335 | \$ 140,314 | \$ - |
| U. S. government agencies | 507,472 | - | 452,400 | 55,072 |
| Asset Backed Securities | 35,062 | - | 35,062 | - |
| Corporate bonds | 2,916,685 | 186,846 | 2,234,393 | 495,446 |
| Money market mutual fund | 228,684 | 228,684 | - | - |
| | 4,168,552 | \$ 755,865 | \$ 2,862,169 | \$ 550,518 |
| Other Investments: | | | | |
| Certificate of deposits | 851,680 | | | |
| Equity securities - domestic (stocks) | 6,214,216 | | | |
| Mutual funds | 749,756 | | | |
| MMDT | 1,151,843 | | | |
| | <u>\$ 13,136,047</u> | | | |

Custodial Credit Risks

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$13,136,047 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.

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Credit Risk

The Town's exposure to credit risk as of June 30, 2020 is as follows:

| Related Debt Instruments | Fair Value |
|---|---------------------|
| <u>Moody's Quality Ratings</u> | |
| <i>U. S. Treasury Obligations:</i> | |
| Aaa | \$ 480,649 |
| <i>U. S. Government Agencies:</i> | |
| Aaa | 507,472 |
| <i>Asset Backed Bonds:</i> | |
| Not rated | 35,062 |
| <i>Corporate Bonds:</i> | |
| Aaa | 50,410 |
| A1 | 268,689 |
| A2 | 1,017,079 |
| A3 | 715,087 |
| Baa1 | 596,875 |
| Baa2 | 268,545 |
| <i>Money Market Mutual Funds:</i> | |
| Not rated | 228,684 |
| | <u>\$ 4,168,552</u> |

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. The Town does not have more than 5 percent of the Town's investments in one issuer.

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, 2020

The Town has the following recurring fair value measurements as of June 30, 2020:

| 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 | \$ 480,649 | \$ 480,649 | \$ - | \$ - |
| U. S. government agencies | 507,472 | 507,472 | - | - |
| Asset Backed Securities | 35,062 | 35,062 | - | - |
| Certificates of deposit | 851,680 | 851,680 | - | - |
| Money market mutual fund | 228,684 | 228,684 | - | - |
| Mutual funds | 749,756 | 749,756 | - | - |
| Corporate bonds | 2,916,685 | - | 2,916,685 | - |
| | 11,984,204 | \$ 9,067,519 | \$ 2,916,685 | \$ - |
| Investments Measured at Amortized Cost: | | | | |
| External Investment Pools (MMDT) | 1,151,843 | | | |
| Total Investments | \$ 13,136,047 | | | |

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, 2020, receivables for the individual major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|---|---------------------|------------------------------------|---------------------|
| Major and nonmajor governmental funds: | | | |
| Property taxes | \$ 1,602,551 | \$ (7,900) | \$ 1,594,651 |
| Deferred property taxes | 101,535 | - | 101,535 |
| Tax liens | 505,298 | - | 505,298 |
| Taxes in litigation | 1,092 | (1,092) | - |
| Excise taxes | 329,532 | (43,295) | 286,237 |
| User charges | 301 | (301) | - |
| Departmental | 1,486,157 | (1,114,412) | 371,745 |
| Special assessments | 357,788 | - | 357,788 |
| Due from other governments | 1,375,033 | - | 1,375,033 |
| | <u>\$ 5,759,287</u> | <u>\$ (1,167,000)</u> | <u>\$ 4,592,287</u> |

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

At June 30, 2020, receivables for the business-type activities consist of the following:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|----------------------------|---------------------|------------------------------------|---------------------|
| Sewer Fund: | | | |
| Sewer user charges | \$ 376,469 | \$ (500) | \$ 375,969 |
| Sewer tax liens | 5,387 | - | 5,387 |
| Water Fund: | | | |
| Water user charges | 966,939 | (1,000) | 965,939 |
| Water tax liens | 4,515 | - | 4,515 |
| Due from other governments | 256,138 | - | 256,138 |
| | <u>\$ 1,609,448</u> | <u>\$ (1,500)</u> | <u>\$ 1,607,948</u> |

The composition of amounts due from other governments as of June 30, 2020 for governmental funds and the business-type activities are as follows:

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

Department of Veterans Services:

Veterans benefits \$ 154,328

Nonmajor Governmental Funds:

U. S. Department of Agriculture:

School lunch \$ 30,967

U. S. Department of Education:

School title grants 22,857

Commonwealth of Massachusetts:

Department of Elementary and Secondary Education:

School Lunch 300

Department of Fire Services:

Turnout gear grant 5,400

Department of Revenue:

School Choice 44,015

Executive Office of Public Safety & Homeland Security

State 911 support & incentive grant 22,481

Massachusetts School Building Authority 601,260

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funded projects 493,425 1,220,705

\$ 1,375,033

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 \$ 148,587

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

The composition of amounts due from other governments as of June 30, 2020 for business-type funds is as follows:

Business-type Funds:

Massachusetts Clean Water Trust:

| | | |
|----------------------------------|----|---------|
| Water Treatment Plant - DW-14-10 | \$ | 256,138 |
|----------------------------------|----|---------|

| | | |
|--|----|---------|
| | \$ | 256,138 |
|--|----|---------|

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:

General Fund:

| | | | | |
|----------------------------|----|-----------|----|-----------|
| Property taxes | \$ | 1,323,751 | | |
| Deferred property taxes | | 101,535 | | |
| Tax liens | | 505,298 | | |
| Excise taxes | | 286,237 | | |
| Special assessments | | 91,867 | | |
| Due from other governments | | 154,328 | \$ | 2,463,016 |

Nonmajor Governmental Funds:

| | | | | |
|----------------------------|--|---------|----|-----------|
| Departmental | | 371,745 | | |
| Special assessments | | 265,921 | | |
| Due from other governments | | 325,857 | | 963,523 |
| | | | \$ | 3,426,539 |

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

D. Capital Assets

Capital asset activity for the year ended June 30, 2020, is as follows:

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 8,844,119 | \$ 39,136 | \$ - | \$ 8,883,255 |
| Construction in Progress | 2,460,068 | 6,248,576 | (855,701) | 7,852,943 |
| Total capital assets not being depreciated | 11,304,187 | 6,287,712 | (855,701) | 16,736,198 |
| Capital assets being depreciated: | | | | |
| Buildings and Renovations | 78,452,765 | 579,669 | - | 79,032,434 |
| Machinery, equipment and other | 8,938,679 | 1,019,710 | (96,084) | 9,862,305 |
| Infrastructure | 14,444,804 | 756,598 | - | 15,201,402 |
| Total capital assets being depreciated | 101,836,248 | 2,355,977 | (96,084) | 104,096,141 |
| Less accumulated depreciation for: | | | | |
| Buildings and Renovations | 35,808,157 | 1,855,914 | - | 37,664,071 |
| Machinery, equipment and other | 7,306,699 | 670,896 | (96,084) | 7,881,511 |
| Infrastructure | 5,719,145 | 652,349 | - | 6,371,494 |
| Total accumulated depreciation | 48,834,001 | 3,179,159 | (96,084) | 51,917,076 |
| Total capital assets being depreciated, net | 53,002,247 | (823,182) | - | 52,179,065 |
| Total governmental activities capital assets, net | \$ 64,306,434 | \$ 5,464,530 | \$ (855,701) | \$ 68,915,263 |

| Business-Type Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 348,926 | \$ - | \$ - | \$ 348,926 |
| Construction in progress | 8,753,831 | 7,029,838 | (667,191) | 15,116,478 |
| Total capital assets not being depreciated | 9,102,757 | 7,029,838 | (667,191) | 15,465,404 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 454,794 | - | - | 454,794 |
| Machinery, equipment and other | 1,285,023 | 105,678 | - | 1,390,701 |
| Infrastructure | 32,346,982 | 667,191 | - | 33,014,173 |
| Total capital assets being depreciated | 34,086,799 | 772,869 | - | 34,859,668 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 167,091 | 20,588 | - | 187,679 |
| Machinery, equipment and other | 1,015,903 | 70,296 | - | 1,086,199 |
| Infrastructure | 12,949,156 | 778,641 | - | 13,727,797 |
| Total accumulated depreciation | 14,132,150 | 869,525 | - | 15,001,675 |
| Total capital assets being depreciated, net | 19,954,649 | (96,656) | - | 19,857,993 |
| Total business-type activities capital assets, net | \$ 29,057,406 | \$ 6,933,182 | \$ (667,191) | \$ 35,323,397 |

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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

Governmental Activities:

| | |
|--|---------------------|
| General government | \$ 107,674 |
| Public safety | 535,032 |
| Public works | 702,353 |
| Education | 1,736,866 |
| Health and human services | 26,684 |
| Culture and recreation | 70,550 |
| Total depreciation expense - governmental activities | <u>\$ 3,179,159</u> |

Business-Type Activities:

| | |
|---|-------------------|
| Sewer fund | \$ 281,105 |
| Water fund | 588,420 |
| Total depreciation expense - business-type activities | <u>\$ 869,525</u> |

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2020, are summarized as follows:

| Transfers Out: | Transfers In: | | |
|-----------------------------|---------------------|---------------------|---------------------|
| | General fund | Business-type funds | Total |
| General fund | \$ - | \$ 29,305 | \$ 29,305 |
| Cyrus Hicks fund | 100,000 | - | 100,000 |
| Nonmajor governmental funds | 1,244,886 | - | 1,244,886 |
| Business-type activities | 445,808 | - | 445,808 |
| Total transfers out | <u>\$ 1,790,694</u> | <u>\$ 29,305</u> | <u>\$ 1,819,999</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 2020, acquired through the capital leases are as follows:

| Asset: | Governmental Activities |
|--------------------------------|-------------------------|
| Machinery, Equipment and Other | \$ 586,009 |
| Less: Accumulated Depreciation | (369,068) |
| Total | <u>\$ 216,941</u> |

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, are as follows:

| Year Ending June 30, | Governmental Activities |
|---|----------------------------|
| 2021 | \$ 68,721 |
| 2022 | 68,721 |
| 2023 | 35,991 |
| Total minimum lease payments | 173,433 |
| Less: amount representing interest | (14,436) |
| Present value of minimum lease payments | <u>\$ 158,997</u> |

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:

| Purpose | Interest Rate | Final Maturity Date | Balance July 1, 2019 | Renewed/ Issued | Retired/ Redeemed | Outstanding June 30, 2020 |
|--------------------------------------|------------------|---------------------------|-------------------------|---------------------|----------------------|------------------------------|
| Bond Anticipation Notes: | | | | | | |
| Camp Edith Read property acquisition | 2.22% | 10/17/2019 | \$ 163,308 | \$ - | \$ 163,308 | \$ - |
| Library heating and air conditioning | 2.22% | 10/17/2019 | 425,000 | - | 425,000 | - |
| School Design | 2.45% | 10/17/2019 | 200,000 | - | 200,000 | - |
| School windows and doors | 2.38% | 10/17/2019 | 1,700,000 | - | 1,700,000 | - |
| Watershed Plan | 2.45% | 10/17/2019 | 290,000 | - | 290,000 | - |
| Camp Edith Read property acquisition | 1.74% | 10/16/2020 | - | 163,308 | - | 163,308 |
| LED Street Lights | 1.72% | 12/23/2020 | - | 373,726 | - | 373,726 |
| School windows and doors | 1.08% | 6/18/2021 | - | 600,000 | - | 600,000 |
| Septic program interim loan | 0.00% | 3/21/2021 | 76,230 | 64,269 | - | 140,499 |
| Total Governmental Activities | | | <u>\$ 2,854,538</u> | <u>\$ 1,201,303</u> | <u>\$ 2,778,308</u> | <u>\$ 1,277,533</u> |

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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

| Purpose | Interest Rate | Final Maturity Date | Balance July 1, 2019 | Renewed/ Issued | Retired/ Redeemed | Outstanding June 30, 2020 |
|---|---------------|---------------------|----------------------|---------------------|----------------------|---------------------------|
| Bond Anticipation Notes: | | | | | | |
| Sewer: | | | | | | |
| Woodland Meadows sewer main | 2.38% | 10/17/2019 | \$ 51,600 | \$ - | \$ 51,600 | \$ - |
| Woodland Meadows sewer main | 2.22% | 10/17/2019 | 328,400 | - | 328,400 | - |
| Sewer pumps - CWP-18-43 Interim Loan | 0.00% | 9/3/2022 | - | 2,168,483 | - | 2,168,483 |
| Water: | | | | | | |
| Pine Street water main construction | 2.22% | 10/17/2019 | 1,800,000 | - | 1,800,000 | - |
| Massachusetts Clean Water Trust: | | | | | | |
| Water Plant - DW-14-10 Interim Loan | 0.00% | 6/29/2021 | 7,485,320 | 2,558,542 | 10,043,862 | - |
| Total Business-Type Activities | | | <u>\$ 9,665,320</u> | <u>\$ 4,727,025</u> | <u>\$ 12,223,862</u> | <u>\$ 2,168,483</u> |

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, 2020

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

| | Interest Rate | Date Issued | Final Maturity Date | Original Amount Issued | Outstanding June 30, 2020 |
|---|--------------------------|------------------------|------------------------------------|---------------------------------------|--------------------------------------|
| Inside Debt: | | | | | |
| Land acquisition-Slattery property | 3.66% | 11/1/2004 | 11/1/2022 | \$ 400,000 | \$ 60,000 |
| School building renovations | 3.75% | 11/1/2004 | 11/1/2023 | 2,100,000 | 440,000 |
| Land acquisition | 3.96% | 10/1/2007 | 10/1/2022 | 500,000 | 90,000 |
| Sewer bond | 2.38% | 2/15/2011 | 10/1/2020 | 80,000 | 5,000 |
| Land Acquisition - Newcomb | 2.81% | 5/15/2014 | 11/15/2028 | 475,000 | 270,000 |
| School HVAC Repairs | 2.81% | 5/15/2014 | 5/5/2026 | 120,000 | 60,000 |
| School Roof | 2.81% | 5/15/2014 | 5/15/2029 | 548,370 | 315,000 |
| School Technology - Hardware | 2.81% | 5/15/2014 | 5/15/2023 | 348,750 | 105,000 |
| Rail Trail project | 2.45% | 12/15/2016 | 12/15/2021 | 480,000 | 190,000 |
| Watershed planning | 2.45% | 12/15/2016 | 12/15/2028 | 510,000 | 375,000 |
| Town Hall repairs | 2.45% | 12/15/2016 | 12/15/2026 | 350,000 | 245,000 |
| Library Building Remodeling | 2.05% | 10/15/2019 | 10/15/2029 | 385,000 | 385,000 |
| School Engineering Services | 2.05% | 10/15/2019 | 10/15/2028 | 180,000 | 180,000 |
| Watershed Plan | 2.05% | 10/15/2019 | 10/15/2032 | 270,000 | 270,000 |
| Massachusetts Clean Water Trust: | | | | | |
| Lake Winnecunnet sewer project | N/A | 11/26/2002 | 8/1/2022 | 2,375,687 | 445,000 |
| Water resource management | N/A | 11/26/2002 | 8/1/2022 | 334,237 | 60,000 |
| Total Inside Debt | | | | | <u>3,495,000</u> |
| Outside Debt: | | | | | |
| High school renovations | 2.82% | 11/15/2011 | 2/15/2031 | 6,550,000 | 3,910,000 |
| High school track/bleachers | 2.38% | 11/15/2011 | 2/15/2025 | 650,000 | 255,000 |
| School construction | 2.81% | 5/15/2014 | 5/15/2034 | 6,500,000 | 4,550,000 |
| High school renovations | 2.45% | 12/15/2016 | 12/15/2031 | 650,000 | 515,000 |
| Dam improvements | 2.45% | 12/15/2016 | 12/15/2031 | 878,000 | 695,000 |
| Landfill capping | 2.45% | 12/15/2016 | 12/15/2026 | 267,000 | 175,000 |
| School construction | 2.05% | 10/15/2019 | 10/15/2039 | 3,595,000 | 3,595,000 |
| Massachusetts Clean Water Trust: | | | | | |
| Title V Septic Loans - Round 2 | N/A | 7/24/2003 | 2/1/2021 | 195,089 | 11,050 |
| Title V Septic Loans - Round 3 | N/A | 8/1/2004 | 8/1/2023 | 236,799 | 47,792 |
| Title V Septic Loans - Round 4 | N/A | 12/14/2006 | 7/15/2026 | 146,244 | 51,188 |
| Title V Septic Loans - Round 5 | N/A | 11/15/2006 | 8/1/2024 | 184,207 | 50,656 |
| Title V Septic Loans - Round 6 | N/A | 11/22/2010 | 7/15/2029 | 200,000 | 105,266 |
| Title V Septic Loans - Round 7 | N/A | 11/22/2010 | 7/15/2029 | 201,502 | 106,057 |
| Title V Septic Loans - Round 8 | N/A | 5/22/2013 | 1/15/2033 | 165,000 | 107,250 |
| Title V Septic Loans - Round 9 | N/A | 1/7/2015 | 1/15/2035 | 33,498 | 25,124 |
| Title V Septic Loans - Round 10 | N/A | 2/11/2016 | 1/15/2036 | 100,000 | 80,000 |
| Total Outside Debt | | | | | <u>14,279,383</u> |
| Total Governmental Type Debt | | | | | <u><u>\$ 17,774,383</u></u> |

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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, 2020, are as follows:

| Year | Principal | Interest | Total |
|-------------|----------------------|---------------------|----------------------|
| 2021 | \$ 1,786,662 | \$ 544,706 | \$ 2,331,368 |
| 2022 | 1,775,612 | 479,819 | 2,255,431 |
| 2023 | 1,670,612 | 411,643 | 2,082,255 |
| 2024 | 1,405,202 | 362,156 | 1,767,358 |
| 2025 | 1,283,255 | 333,506 | 1,616,761 |
| 2026-2030 | 5,794,916 | 1,043,934 | 6,838,850 |
| 2031-2035 | 3,158,124 | 290,862 | 3,448,986 |
| 2036-2040 | 900,000 | 51,891 | 951,891 |
| | <u>\$ 17,774,383</u> | <u>\$ 3,518,517</u> | <u>\$ 21,292,900</u> |

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

| | Interest Rate | Date Issued | Final Maturity Date | Original Amount Issued | Outstanding June 30, 2020 |
|---|----------------------|--------------------|----------------------------|-------------------------------|----------------------------------|
| Inside Debt: | | | | | |
| Sewer Fund: | | | | | |
| Sewer Expansion | 2.45% | 12/15/2016 | 12/15/2026 | \$ 245,000 | \$ 170,000 |
| Sewer Expansion | 2.05% | 10/15/2019 | 10/15/2034 | 355,000 | 355,000 |
| Massachusetts Clean Water Trust: | | | | | |
| Sewer Expansion CW-14-33 | 2.00% | 4/13/2017 | 1/15/2037 | 2,924,728 | 2,562,034 |
| Total Inside Debt | | | | | <u>3,087,034</u> |
| Outside Debt: | | | | | |
| Water fund: | | | | | |
| Water mains | 3.99% | 10/1/2007 | 10/1/2027 | 3,300,000 | 1,320,000 |
| New water tank | 3.99% | 10/1/2007 | 10/1/2027 | 1,700,000 | 680,000 |
| Water mains | 4.02% | 8/1/2008 | 8/1/2028 | 3,000,000 | 1,350,000 |
| Water mains | 4.02% | 8/1/2008 | 8/1/2028 | 5,000,000 | 2,250,000 |
| Water storage facility | 2.38% | 2/15/2011 | 10/1/2020 | 1,100,000 | 105,000 |
| Water mains | 2.05% | 10/15/2019 | 10/15/2034 | 2,580,000 | 2,580,000 |
| Water Treatment Plant | 2.00% | 10/24/2019 | 7/15/2039 | 10,300,000 | 10,300,000 |
| Total Outside Debt | | | | | <u>18,585,000</u> |
| Total Business-type Debt | | | | | <u>\$ 21,672,034</u> |

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2020, are as follows:

| Year | Principal | Interest | Total |
|-------------|----------------------|---------------------|----------------------|
| 2021 | \$ 1,477,836 | \$ 571,620 | \$ 2,049,456 |
| 2022 | 1,384,633 | 524,289 | 1,908,922 |
| 2023 | 1,396,689 | 478,542 | 1,875,231 |
| 2024 | 1,409,005 | 432,189 | 1,841,194 |
| 2025 | 1,421,588 | 385,212 | 1,806,800 |
| 2026-2030 | 6,326,483 | 1,248,306 | 7,574,789 |
| 2031-2035 | 4,269,729 | 634,024 | 4,903,753 |
| 2036-2037 | 3,986,071 | 199,842 | 4,185,913 |
| | <u>\$ 21,672,034</u> | <u>\$ 4,474,024</u> | <u>\$ 26,146,058</u> |

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

| | Balance July 1, 2019 | Additions | Reductions | Balance June 30, 2020 | Amounts Due within One Year |
|----------------------------------|---------------------------------|----------------------|---------------------|----------------------------------|--|
| Governmental activities: | | | | | |
| Bonds Payable: | | | | | |
| General obligation bonds | \$ 13,545,000 | \$ 4,430,000 | \$ 1,290,000 | \$ 16,685,000 | \$ 1,545,000 |
| Massachusetts Clean | | | | | |
| Water Trust bonds | 1,325,823 | - | 236,440 | 1,089,383 | 241,662 |
| Capital lease | 147,145 | 124,966 | 113,114 | 158,997 | 61,151 |
| Compensated absences | 2,295,267 | 401,220 | - | 2,696,487 | 903,303 |
| Net OPEB liability | 75,591,994 | 10,900,689 | - | 86,492,683 | - |
| Net pension liability | 24,090,940 | 8,153,814 | - | 32,244,754 | - |
| Governmental activity | | | | | |
| Long-term liabilities | <u>\$ 116,996,169</u> | <u>\$ 24,010,689</u> | <u>\$ 1,639,554</u> | <u>\$ 139,367,304</u> | <u>\$ 2,751,116</u> |
| Business-type activities: | | | | | |
| Bonds Payable: | | | | | |
| General obligation bonds | \$ 6,660,000 | \$ 2,935,000 | \$ 785,000 | 8,810,000 | \$ 935,000 |
| Massachusetts Clean | | | | | |
| Water Trust bonds | 2,685,541 | 10,300,000 | 123,507 | 12,862,034 | 542,836 |
| Compensated absences | 116,846 | 24,014 | - | 140,860 | 80,116 |
| Net OPEB liability | 1,988,259 | - | 104,231 | 1,884,028 | - |
| Net pension liability | 1,575,947 | 394,870 | - | 1,970,817 | - |
| Business-type activity | | | | | |
| Long-term liabilities | <u>\$ 13,026,593</u> | <u>\$ 13,653,884</u> | <u>\$ 1,012,738</u> | <u>\$ 25,667,739</u> | <u>\$ 1,557,952</u> |

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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 \$17,396,982 and interest costs of \$4,659,720 for thirteen loans which the Town has borrowed from MCWT. The gross amount outstanding at June 30, 2020 for principal and interest combined for the loans is \$16,691,602. The net repayments, including interest, are scheduled to be \$15,869,834. 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 2020 principal and interest subsidies totaled \$67,230.

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, 2020 totaled \$6,582,034.

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, 2020:

| | | |
|---|---------------------|-------------------------|
| Proposed and Revised Equalized Valuation-Real Estate and Personal Property (2018) | | <u>\$ 2,191,751,500</u> |
| Debt Limit: 5 % of Equalized value | | 109,587,575 |
| Total Debt Outstanding | \$ 39,446,417 | |
| Less: Debt Outside Debt Limit | <u>(32,864,383)</u> | <u>6,582,034</u> |
| Inside Debt Excess Borrowing Capacity at June 30, 2020 | | <u>\$ 103,005,541</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, 2020

Loan authorizations that have not been issued as of June 30, 2020 and are not reflected in the Town's financial statements are as follows:

| Date Town Meeting Authorized | Purpose | Amount |
|---|--|-----------------------------|
| 5/11/2015 | Nourse Elementary School sewer connection | \$ 195,000 |
| 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 | 859,501 |
| 5/8/2017 | Woodlawn Meadows sewer, pump stations and mains | 771,517 |
| 5/14/2018 | Norton Elementary School window/door replacement | 4,116,971 |
| 5/14/2018 | Design and construction of sewer mains | 880,000 |
| 5/15/2019 | Planning, design and construction of East Main Street Water mains | 700,000 |
| 5/15/2019 | Planning, design and construction of West Main Street Water mains | 1,500,000 |
| 10/21/2019 | LED Street lighting conversion | 81,274 |
| 6/27/2020 | Planning, design and construction of West Main Street Sewer mains | 1,100,000 |
| 6/27/2020 | Replacements of water well 5 & water well 6 | 850,000 |
| | | <u><u>\$ 11,054,263</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.

| | Current Year's Long Term Debt | Town's Estimated Share | Town's Estimated Indirect Debt |
|--|--|---------------------------------------|---|
| Southeastern Regional Vocational Technical School District: | <u><u>\$ 4,555,630</u></u> | 6.30% | <u><u>\$ 287,005</u></u> |

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

I. Fund Balances

The following is a summary of the Governmental fund balances at the year ended June 30, 2020:

| | General Fund | Cyrus Hicks Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------|-------------------------|-----------------------------|--|---|
| Nonspendable: | | | | |
| Permanent funds | \$ - | \$ - | \$ 297,850 | \$ 297,850 |
| Restricted: | | | | |
| Federal, state and local grants | - | - | 1,157,822 | 1,157,822 |
| School revolving funds | - | - | 1,349,408 | 1,349,408 |
| Revolving funds | - | - | 236,708 | 236,708 |
| Septic loans | - | - | 904,347 | 904,347 |
| Debt service | - | - | 187,365 | 187,365 |
| Donations and gifts | - | - | 353,847 | 353,847 |
| Permanent funds | - | - | 128,018 | 128,018 |
| Cyrus Hicks fund | - | 8,754,470 | - | 8,754,470 |
| Capital project funds | - | - | 837,154 | 837,154 |
| Other | - | - | 72,886 | 72,886 |
| | - | 8,754,470 | 5,227,555 | 13,982,025 |
| Committed: | | | | |
| Ambulance | - | - | 2,568,533 | 2,568,533 |
| Dog fund | - | - | 97,217 | 97,217 |
| | - | - | 2,665,750 | 2,665,750 |
| Assigned: | | | | |
| General government | 2,329,914 | - | - | 2,329,914 |
| Public safety | 456,714 | - | - | 456,714 |
| Public works | 126,457 | - | - | 126,457 |
| Education | 344,675 | - | - | 344,675 |
| Health and human services | 55,368 | - | - | 55,368 |
| Culture and recreation | 513 | - | - | 513 |
| Employee benefits and insurance | 280,487 | - | - | 280,487 |
| Subsequent year's budget | 1,666,385 | - | - | 1,666,385 |
| | 5,260,513 | - | - | 5,260,513 |
| Unassigned: | | | | |
| General fund | 6,607,637 | - | - | 6,607,637 |
| Capital projects | - | - | (265,465) | (265,465) |
| Special revenue funds | - | - | (132,978) | (132,978) |
| | 6,607,637 | - | (398,443) | 6,209,194 |
| Total Governmental fund balances | \$ 11,868,150 | \$ 8,754,470 | \$ 7,792,712 | \$ 28,415,332 |

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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, 2020 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

| | |
|--|---------------------|
| General purpose stabilization fund | \$ 2,167,215 |
| Capital improvement stabilization fund | 330,583 |
| | <u>\$ 2,497,798</u> |

4. OTHER INFORMATION

A. Risk Management

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

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

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, 2020, the Town's insurance consultants have reported the Group has accumulated a surplus of \$14,017,237.

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

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, 2020, the Town of Norton abated property taxes amounting to \$243,999 under six tax abatement agreements. The Town has not made any commitments as part of the agreements other than to reduce taxes.

D. COVID-19

The Covid-19 outbreak in the United States and across the globe has resulted in economic uncertainties. The disruption is expected to be temporary, but there is considerable uncertainty around the duration and scope. The extent of the impact of Covid-19 on our operational and financial performance will depend on certain developments, including the duration and spread of outbreak, impact on our customers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which Covid-19 may impact our financial condition or results of operations is uncertain.

E. Subsequent Events

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

F. 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.

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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.

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, 2019. The Town's portion of the collective pension expense contributed by the Commonwealth of \$8,035,236 on-behalf payments for the fiscal year ending June 30, 2020 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, 2019 was \$2,939,745, representing 22.45% 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, 2020

Pension Liability

As of June 30, 2020, the Town reported a liability of \$34,215,571 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. 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, 2019, the Town's proportional percentage was 7.260%, which was a slight increase from the last measurement.

Pension Expense

For the year ended June 30, 2020, the Town recognized a pension expense of \$5,896,002; and reported deferred outflows of resources related to pensions of \$12,037,341 from the differences between actual and expected experience, the changes in assumptions and the changes in proportion and differences between employer contributions and proportionate share of contributions; and deferred inflows of resources related to pensions of \$1,377,187 from 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:

| For years ended June 30, | | |
|---------------------------------|-------------|-----------------------------|
| | 2021 | \$ 2,879,837 |
| | 2022 | 2,542,070 |
| | 2023 | 2,797,974 |
| | 2024 | 1,674,351 |
| | 2025 | 765,922 |
| | | <u>\$ 10,660,154</u> |

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement that was dated December 31, 2019:

| | |
|----------------------------|---|
| Valuation date | January 1, 2020 |
| Actuarial cost method | Individual Entry Age Normal Cost Method |
| Amortization method | Level percent, open group |
| Asset valuation method | Market value |
| Investment rate of return | 7.5% annually |
| Projected salary increases | 3.00% annually |
| Cost of living adjustments | 3.00% on first \$18,000 of benefits per year. |

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Mortality rates

Rates reflect the RP-2014 table adjusted to 2006 and projected generationally with MP-2019 (gender distinct)
During employment the Healthy Employee Mortality Table is used.
Post-employment, the Healthy Annuitant Mortality Table is used.
For disabled retirees, mortality table follows the same as non-disabled retirees, set forward two years. Death is assumed to be due to the same cause as disability 40% of the time.

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, 2019, are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|--------------------------|---|
| U.S. Equity | 22.0% | 4.9% |
| International Equity | 11.0% | 5.2% |
| Emerging Markets Equity | 11.0% | 7.3% |
| Global REITs | 2.0% | 4.4% |
| TIPS | 0.0% | 1.8% |
| Core Fixed Income | 5.0% | 1.8% |
| High Yield | 3.0% | 3.6% |
| Emerging Market Debt | 4.0% | 4.0% |
| Global Fixed Income | 3.0% | 1.5% |
| Private Equity | 12.0% | 8.0% |
| Hedge Funds | 4.0% | 3.6% |
| Real Estate Funds | 11.0% | 4.0% |
| Timber | 3.0% | 4.8% |
| Farmland | 3.0% | 5.9% |
| Infrastructure | 6.0% | 5.3% |
| Total | 100.0% | |

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 16.94%. 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.

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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.

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 7.50%. 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

| | 1% Decrease 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|------------------------------|------------------------------|--|------------------------------|
| Town's net pension liability | \$ 44,428,927 | \$ 34,215,571 | \$ 25,602,495 |

G. Other Post Employment Benefits Payable

GASB Statement No. 74 and GASB Statement No. 75

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 888 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, 2020, 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).

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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 period ending on the June 30, 2020 Measurement Date, the Town premiums plus implicit costs for the retiree medical program were \$2,479,749. The Town also made a contribution to an OPEB Trust of \$95,000 for a total contribution during the measurement period of \$2,574,749. The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. The trust balance is \$623,109 as of June 30, 2020.

Measurement Date

GASB Statement No. 74 and GASB Statement No. 75 require 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, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019.

Plan Membership:

| | |
|--|------------|
| Current active members | 459 |
| Current retirees, beneficiaries and dependents | 429 |
| Total | <u>888</u> |

Net OPEB Liability

The components of the net OPEB liability are as follows:

| | |
|--|-----------------------------|
| | <u>6/30/2020</u> |
| Total OPEB liability | 88,999,820 |
| Less: Plan fiduciary net position | (623,109) |
| Town's Net OPEB liability | <u><u>\$ 88,376,711</u></u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.70% |

Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement for the reporting date of June 30, 2020:

| | |
|---------------------------------|--|
| Valuation date | Actuarially determined contribution was calculated as of July 1, 2019 |
| Actuarial cost method | Individual Entry Age Normal |
| Asset valuation method | Market value of assets as of the measurement date. |
| Investment rate of return | 6.72% annually, net of OPEB plan investment expense, Including inflation |
| Single Equivalent Discount rate | 3.25%, net of OPEB plan investment expense, Including inflation |

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

| | |
|--------------------------------------|---|
| Inflation rate | 2.50% as of June 30, 2020 and for future periods |
| Participant salary increases | 3.00% as of June 30, 2020 and for future periods |
| Healthcare cost trend rates | 4.50% annually |
| Mortality rates | |
| Pre-retirement mortality (General) | RP-2014 Mortality Table for Blue Collar Employees, projected generationally with Scale MP-2016 for males and females, set forward one year for females. |
| Post-retirement mortality (General) | RP-2014 Mortality Table for Blue Collar Annuitants, projected generationally with Scale MP-2016 for males and females, set forward one year for females. |
| Disabled mortality (General) | RP-2014 Mortality Table for Blue Collar Annuitants, projected generationally with Scale MP-2016 for males and females, set forward one year for females. |
| Pre-retirement mortality (Teachers) | RP-2014 Mortality Table for White Collar Employees, projected generationally with Scale MP-2016 for males and females, set forward one year for females. |
| Post-retirement mortality (Teachers) | RP-2014 Mortality Table for White Collar Annuitants, projected generationally with Scale MP-2016 for males and females, set forward one year for females. |
| Disabled mortality (Teachers) | RP-2014 Mortality Table for White Collar Annuitants, projected generationally with Scale MP-2016 for males and females, set forward one year for females. |

The actuarial assumptions used in the July 1, 2019 valuation were reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2020 is 2.66%.

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 2.47%.

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|--------------------------|---|
| Domestic Equity - Large Capital | 25.00% | 4.80% |
| Domestic Equity - Small/Mid Capital | 17.75% | 5.29% |
| International Equity - Developed Market | 16.50% | 5.45% |
| International Equity - Emerging Market | 7.50% | 6.42% |
| Domestic Fixed Income | 26.50% | 2.05% |
| International Fixed Income | 0.00% | 3.00% |
| Alternatives | 6.25% | 6.50% |
| Real Estate | 0.00% | 6.25% |
| Cash | 0.50% | 0.00% |
| Total | 100.00% | |
| I. Real Rate of Return | | 4.47% |
| II. Add: Inflation Assumption | | 2.50% |
| III. Total Nominal Return (I. + II.) | | 6.97% |
| IV. Less: Investment Expense | | 0.25% |
| V. Net investment Return (III.-IV.) | | 6.72% |

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|---|-----------------------------|------------------------------------|-----------------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Total OPEB Liability |
| Balances at June 30, 2019 | \$ 78,094,481 | \$ 514,228 | \$ 77,580,253 |
| Service cost | 2,696,277 | - | 2,696,277 |
| Interest on Total OPEB Liability | 2,585,726 | - | 2,585,726 |
| Changes in benefit terms * | - | - | - |
| Changes in assumptions ** | 10,049,801 | - | 10,049,801 |
| Difference between actual and expected experience | (1,946,716) | - | (1,946,716) |
| Net investment income | - | 13,881 | (13,881) |
| Employer contributions to Trust | - | 2,574,749 | (2,574,749) |
| Total benefit payments including implicit cost | (2,479,749) | (2,479,749) | - |
| Net change in total OPEB liability | 10,905,339 | 108,881 | 10,796,458 |
| Balances at June 30, 2020 | \$ 88,999,820 | \$ 623,109 | \$ 88,376,711 |

* = Recognized immediately

** = Amortized over 6.19 years

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Discount Rate

The discount rate used to measure the total OPEB liability was 3.25%. The interest rate used to calculate the present value of future cash flows. Under GASB 75, the rate should be the expected long-term rate of return on investments for a plan that is being fully funded, the 20-year municipal bond index for a pay-as-you-go plan, and a blend of the two rates for a plan being partially funded. Contributions will be made in accordance Massachusetts General Law Chapter 32.

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 (2.25%) or 1-percentage-point higher (4.25%) than the current rate:

| | 1% Decrease (2.25%) | Current Discount Rate (3.25%) | 1% Increase (4.25%) |
|---------------------------|--------------------------------|--|--------------------------------|
| Town's net OPEB liability | \$ 104,560,452 | \$ 88,376,711 | \$ 75,681,802 |

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 (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare cost trend rate:

| | 1% Decrease (3.50%) | Healthcare Cost Trend Rates (4.50%) | 1% Increase (5.50%) |
|---------------------------|--------------------------------|--|--------------------------------|
| Town's net OPEB liability | \$ 74,382,068 | \$ 88,376,711 | \$ 106,611,641 |

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.

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

For the year ended June 30, 2020, the GASB Statement No. 75 reporting period and fiscal year ending date, the Town recognized an OPEB expense of \$5,664,437 and reported deferred outflows of resources related to OPEB of \$13,632,129 from the differences between actual and expected experience, changes in assumptions and the net difference between projected and actual investment earnings on OPEB plan investments; and deferred inflows of resources related to OPEB of \$1,634,831 from the differences between actual and expected experience and the net difference between projected and actual investment earnings on OPEB plan investments.

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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, | | |
|---------------------------------|--------------------|-----------------------------|
| | 2021 | \$ 2,994,879 |
| | 2022 | 2,994,879 |
| | 2023 | 2,651,055 |
| | 2024 | 1,798,705 |
| | 2025 | 1,309,061 |
| | Thereafter: | 248,719 |
| | | <u>\$ 11,997,298</u> |

H. Implementation of New GASB Pronouncements

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement postponed the effective dates of certain provisions in GASB statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

I. 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. 84, *Fiduciary Activities*, for implementation in fiscal year 2021.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2022.

The GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, for implementation in fiscal year 2021.

The GASB issued Statement No. 91, *Conduit Debt Obligations*, for implementation in fiscal year 2023.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, for implementation in fiscal 2022.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, for implementation in fiscal year 2023.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, for implementation in fiscal year 2023.

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, for implementation in fiscal year 2021 and 2022.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF NORTON, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Bristol County Retirement System
For the Year Ended June 30, 2020

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:

| Date | Town's proportion of the net pension liability (asset) | Town's proportionate share of the net pension liability (asset) | Town's covered employee payroll | Net pension liability percentage of covered employee payroll | Plan fiduciary net position as a percentage of the total pension liability |
|-------------|---|--|--|---|---|
| 12/31/2019 | 7.260% | \$ 34,215,571 | \$ 13,082,140 | 261.54% | 61.25% |
| 12/31/2018 | 6.919% | \$ 25,666,887 | \$ 12,314,219 | 208.43% | 63.48% |
| 12/31/2017 | 6.909% | \$ 21,558,443 | \$ 12,539,421 | 171.93% | 68.56% |
| 12/31/2016 | 6.909% | \$ 23,065,864 | \$ 12,083,846 | 190.88% | 64.17% |
| 12/31/2015 | 6.909% | \$ 23,244,309 | \$ 11,589,091 | 200.57% | 62.95% |
| 12/31/2014 | 7.113% | \$ 20,323,407 | \$ 10,091,715 | 201.39% | 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, 2020

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:

| Date | Actuarially determined contribution | Less: Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Town's covered employee payroll | Contributions percentage of covered employee payroll |
|-------------|--|---|---|--|---|
| 12/31/2019 | \$ 2,936,745 | \$ (2,939,242) | \$ (2,497) | \$ 13,082,140 | 22.45% |
| 12/31/2018 | \$ 2,710,522 | \$ (2,710,522) | \$ - | \$ 12,314,219 | 22.01% |
| 12/31/2017 | \$ 2,601,305 | \$ (2,601,305) | \$ - | \$ 12,539,421 | 20.75% |
| 12/31/2016 | \$ 2,595,139 | \$ (2,595,139) | \$ - | \$ 12,083,846 | 21.48% |
| 12/31/2015 | \$ 2,201,176 | \$ (2,201,176) | \$ - | \$ 11,589,091 | 18.99% |
| 12/31/2014 | \$ 2,084,055 | \$ (2,084,055) | \$ - | \$ 10,091,715 | 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 Schedules
For the Year Ended June 30, 2020

Schedule of Changes in the Net OPEB Liability:

| | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> |
|---|----------------------|----------------------|----------------------|
| Total OPEB liability | | | |
| Service cost | \$ 2,696,277 | \$ 2,527,204 | \$ 2,387,415 |
| Interest on net OPEB liability | 2,585,726 | 2,656,499 | 2,263,117 |
| Changes in Benefit terms | - | - | - |
| Changes in Assumptions | 10,049,801 | 5,643,141 | - |
| Difference between actual and expected experience | (1,946,716) | - | 3,558,805 |
| Employer contributions to Trust | - | - | - |
| Benefit payments, including refunds of member contributions | (2,479,749) | (2,071,229) | (1,759,835) |
| Net change in total OPEB liability | 10,905,339 | 8,755,615 | 6,449,502 |
| Prior period adjustments | - | (256,050) | 611,648 |
| Total OPEB liability-beginning | 78,094,481 | 69,594,916 | 62,533,766 |
| Total OPEB liability-ending (a) | <u>\$ 88,999,820</u> | <u>\$ 78,094,481</u> | <u>\$ 69,594,916</u> |
| Plan fiduciary net position | | | |
| Net investment income | \$ 13,881 | \$ 30,801 | \$ 20,627 |
| Employer contributions to Trust | 2,574,749 | 2,161,229 | 1,839,835 |
| Benefit payments, including refunds of member contributions | (2,479,749) | (2,071,229) | (1,759,835) |
| Net change in plan fiduciary net position | 108,881 | 120,801 | 100,627 |
| Prior period adjustments | - | 101,815 | - |
| Total fiduciary net position-beginning | 514,228 | 291,612 | 190,985 |
| Total fiduciary net position-ending (b) | <u>\$ 623,109</u> | <u>\$ 514,228</u> | <u>\$ 291,612</u> |
| Town's net OPEB liability (a-b) | <u>\$ 88,376,711</u> | <u>\$ 77,580,253</u> | <u>\$ 69,303,304</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 Schedules
For the Year Ended June 30, 2020

Schedule of Net OPEB Liability:

| | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> |
|---|-----------------------------|-----------------------------|-----------------------------|
| Total OPEB liability | \$ 88,999,820 | \$ 78,094,481 | \$ 69,594,916 |
| Less: Plan fiduciary net position | <u>(623,109)</u> | <u>(514,228)</u> | <u>(291,612)</u> |
| Town's Net OPEB liability | <u><u>\$ 88,376,711</u></u> | <u><u>\$ 77,580,253</u></u> | <u><u>\$ 69,303,304</u></u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.70% | 0.66% | 0.42% |
| Town's share of covered employee payroll | \$ 32,353,040 | \$ 31,198,445 | \$ 30,289,752 |
| Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll | 273.16% | 248.67% | 228.80% |

Schedule of Contributions:

| | <u>6/30/2020</u> | <u>6/30/2019</u> | <u>6/30/2018</u> |
|--|----------------------------|----------------------------|----------------------------|
| Actuarially determined contribution | \$ 7,205,562 | \$ 6,485,617 | \$ 5,615,319 |
| Less: Contributions in relation to the actuarially determined contribution | <u>(2,574,749)</u> | <u>(2,161,229)</u> | <u>(2,140,896)</u> |
| Contribution deficiency (excess) | <u><u>\$ 4,630,813</u></u> | <u><u>\$ 4,324,388</u></u> | <u><u>\$ 3,474,423</u></u> |
| Town's share of covered employee payroll | \$ 32,353,040 | \$ 31,198,445 | \$ 30,289,752 |
| Contributions percentage of covered-employee payroll | 7.96% | 6.93% | 7.07% |
| Annual money-weighted rate of return net of investment expense | 2.47% | 6.92% | 4.74% |

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 Schedules
For the Year Ended June 30, 2020

Schedule of Funding Progress:

| Other Post Employment Benefits | | | | | | |
|---|---|---|---|---|--|--|
| Actuarial Measurement 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) |
| 6/30/2020 | \$ 623,109 | 88,999,820 | \$ 88,376,711 | 0.70% | \$ 32,353,040 | 273.16% |
| 6/30/2019 | \$ 514,228 | \$ 78,094,481 | \$ 77,580,253 | 0.66% | \$ 31,198,445 | 248.67% |
| 6/30/2018 | \$ 291,612 | \$ 69,594,916 | \$ 69,303,304 | 0.42% | \$ 30,289,752 | 228.80% |

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.

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, 2020

| | Fund Balances July 1, 2019 | Revenues | Expenditures | Other Financing Sources (Uses) | Fund Balances June 30, 2020 |
|---|-------------------------------|---------------------|---------------------|-----------------------------------|--------------------------------|
| Special Revenue: | | | | | |
| Federal and State Grants: | | | | | |
| School Grants | \$ 58,508 | \$ 1,077,355 | \$ 1,113,464 | \$ (1) | \$ 22,398 |
| Arts Lottery Council Grant | 7,518 | 10,021 | 6,069 | - | 11,470 |
| Council on Aging Grants | 1,391 | 36,348 | 37,277 | - | 462 |
| Emergency Management Grants | - | 448,096 | 169,567 | - | 278,529 |
| Extended Polling Hours | 3,543 | 1,698 | 1,735 | - | 3,506 |
| Highway Grants | 26,272 | 383,185 | 383,172 | - | 26,285 |
| Other Grants and Programs | 1,558 | 22,084 | 22,084 | - | 1,558 |
| Planning Grants | 50,904 | 4,285 | 21,919 | - | 33,270 |
| Public Safety Grants | 29,185 | 122,400 | 102,790 | - | 48,795 |
| Schools: | | | | | |
| School Lunch Program | 8,072 | 632,718 | 522,345 | - | 118,445 |
| School Lunch Commodities | - | 60,488 | 60,488 | - | - |
| School Choice | 465,910 | 779,712 | 592,497 | - | 653,125 |
| Revolving Accounts | 430,460 | 653,009 | 505,630 | - | 577,839 |
| State Special Education Reimbursement | 367,753 | 894,367 | 532,939 | - | 729,181 |
| Other: | | | | | |
| Ambulance Fund | 2,384,709 | 1,315,660 | - | (1,131,836) | 2,568,533 |
| Bristol County Homeland Security Grants | 565 | - | - | - | 565 |
| Camp Edith | 2 | 75 | - | - | 77 |
| Clean Energy Choice Grant | 1,470 | - | - | - | 1,470 |
| Compost Bin Recycling Bin Revolving | 1,451 | - | - | - | 1,451 |
| Conservation funds | 15,528 | 25,400 | 34,633 | - | 6,295 |
| Council on Aging Revolving | 9,514 | 6,706 | 5,733 | - | 10,487 |
| Dog Fund | 109,167 | 21,050 | - | (33,000) | 97,217 |
| Forestry Revolving | 1,412 | - | - | - | 1,412 |
| Gifts and Donations | 362,163 | 70,150 | 78,466 | - | 353,847 |
| Hazardous Materials Revolving | 1,606 | - | 1,548 | - | 58 |
| Insurance Reimbursement | 16,532 | 73,741 | 43,140 | (690) | 46,443 |
| Jackson Property Fees | 34,185 | 3,524 | - | - | 37,709 |
| Law Enforcement Fund | 45,987 | 820 | 10,287 | - | 36,520 |
| Special Revenue Funds Page 73 | \$ 4,435,365 | \$ 6,642,892 | \$ 4,245,783 | \$ (1,165,527) | \$ 5,666,947 |

TOWN OF NORTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | Fund Balances July 1, 2019 | Revenues | Expenditures | Other Financing Sources (Uses) | Fund Balances June 30, 2020 |
|---|---------------------------------------|---------------------|---------------------|---|--|
| Continued from Page 73 | \$ 4,435,365 | \$ 6,642,892 | \$ 4,245,783 | \$ (1,165,527) | \$ 5,666,947 |
| Other (continued): | | | | | |
| Parks and Recreation Revolving | 19,864 | 22,220 | 16,858 | - | 25,226 |
| Planning Board Review Fund | 65,660 | 45,408 | 26,389 | - | 84,679 |
| Premium on Sale of Bonds | 175,474 | - | 70,268 | 82,159 | 187,365 |
| Public Safety Outside Detail Funds | 3 | 927,420 | 927,423 | - | - |
| Recycling Revolving | 5,532 | 3,470 | 6,194 | - | 2,808 |
| Septic Program Funds | 851,883 | 43,755 | 64,269 | (60,000) | 771,369 |
| Transportation Network Surcharge | 2,839 | 2,555 | - | - | 5,394 |
| Wetlands Protection Fund | 26,483 | 3,175 | 5,721 | (3,000) | 20,937 |
| Zoning Board of Appeals Outside Consultant Fees | 9,483 | 24 | 458 | - | 9,049 |
| Conservation Fund | 2,017 | 1 | - | - | 2,018 |
| Sale of Pines Fund | 18,556 | 9 | - | - | 18,565 |
| War Memorial Fund | 465 | 1 | - | - | 466 |
| Total Special Revenue Funds | 5,613,624 | 7,690,930 | 5,363,363 | (1,146,368) | 6,794,823 |
| Capital Projects: | | | | | |
| Camp Edith Read Property Acquisition | (163,308) | - | - | - | (163,308) |
| Chartley Pond Upstream Wall | (4,492) | 49,303 | 44,811 | - | - |
| Dam Improvements | 54,710 | - | - | - | 54,710 |
| Library Heating and Air Conditioning | (424,966) | - | - | 424,966 | - |
| Norton Crossing Improvements | 327 | 5 | - | - | 332 |
| Norton Rail Trail | 235,809 | - | 21,223 | - | 214,586 |
| Other Projects | 25,030 | - | 124,966 | 124,966 | 25,030 |
| Other Schools' Projects | 36,591 | - | - | - | 36,591 |
| Schools' Windows and Doors Project | (796,568) | 3,112,662 | 6,118,747 | 3,940,453 | 137,800 |
| Town Hall Improvements | 172,156 | - | 45,850 | - | 126,306 |
| Water Shed plan | 8,075 | - | 55,944 | 290,000 | 242,131 |
| LED Street Lights | - | 38,446 | 140,603 | - | (102,157) |
| Total Capital Projects Fund | \$ (856,636) | \$ 3,200,416 | \$ 6,552,144 | \$ 4,780,385 | \$ 572,021 |

TOWN OF NORTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | Fund Balances July 1, 2019 | Revenues | Expenditures | Other Financing Sources (Uses) | Fund Balances June 30, 2020 |
|---|-------------------------------|----------------------|----------------------|-----------------------------------|--------------------------------|
| Perpetual Permanent Funds: | | | | | |
| Cemetery Funds | \$ 273,400 | \$ 12,450 | \$ - | \$ - | \$ 285,850 |
| Library Fund | 2,000 | - | - | - | 2,000 |
| Wetherell Athletic Fund | 10,000 | - | - | - | 10,000 |
| Total Perpetual Permanent Funds | 285,400 | 12,450 | - | - | 297,850 |
| Permanent Funds: | | | | | |
| Cemetery Funds | 129,264 | 143 | 1,646 | - | 127,761 |
| Library Fund | 10 | 6 | 16 | - | - |
| Wetherell Athletic Fund | 252 | 5 | - | - | 257 |
| Total Permanent Funds | 129,526 | 154 | 1,662 | - | 128,018 |
| Total - Non-Major Governmental Funds | \$ 5,171,914 | \$ 10,903,950 | \$ 11,917,169 | \$ 3,634,017 | \$ 7,792,712 |

**TOWN OF NORTON, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES
AND DEFERRED PROPERTY TAXES
JULY 1, 2019 TO JUNE 30, 2020**

| | Uncollected Taxes July 1, 2019 | Commitments | Abatements and Adjustments | Collections Net of Refunds and Overpayments | Uncollected Taxes June 30, 2020 | Uncollected Taxes Per Detail June 30, 2020 |
|--|--------------------------------------|----------------------|----------------------------------|---|---------------------------------------|---|
| Real Estate Taxes: | | | | | | |
| Levy of 2020 | \$ - | \$ 38,336,195 | \$ 365,589 | \$ 36,527,351 | \$ 1,443,255 | \$ 1,443,255 |
| Levy of 2019 | 525,558 | - | 168,378 | 320,272 | 36,908 | 36,908 |
| Levy of 2018 | 37,516 | - | 3,182 | - | 34,334 | 34,334 |
| Levy of 2017 | 37,426 | - | 3,109 | - | 34,317 | 34,317 |
| Levy of 2016 | 21,521 | - | 2,925 | 545 | 18,051 | 18,051 |
| Prior Years | 9,075 | - | 7,942 | - | 1,133 | 1,133 |
| | <u>631,096</u> | <u>38,336,195</u> | <u>551,125</u> | <u>36,848,168</u> | <u>1,567,998</u> | <u>1,567,998</u> |
| Personal Property Taxes: | | | | | | |
| Levy of 2020 | - | 1,063,813 | 510 | 1,050,547 | 12,756 | 12,756 |
| Levy of 2019 | 12,809 | - | - | 5,810 | 6,999 | 6,999 |
| Levy of 2018 | 9,612 | - | - | 3,736 | 5,876 | 5,876 |
| Levy of 2017 | 6,712 | - | - | 1,511 | 5,201 | 5,201 |
| Levy of 2016 | 3,885 | - | - | 164 | 3,721 | 3,721 |
| | <u>33,018</u> | <u>1,063,813</u> | <u>510</u> | <u>1,061,768</u> | <u>34,553</u> | <u>34,553</u> |
| Total Real Estate and Personal Property Taxes | <u>\$ 664,114</u> | <u>\$ 39,400,008</u> | <u>\$ 551,635</u> | <u>\$ 37,909,936</u> | <u>\$ 1,602,551</u> | <u>\$ 1,602,551</u> |
| Deferred Property Taxes | <u>\$ 73,995</u> | <u>\$ 27,540</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 101,535</u> | <u>\$ 101,535</u> |

**TOWN OF NORTON, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2019 TO JUNE 30, 2020**

| | Uncollected Taxes July 1, 2019 | Commitments | Abatements and Adjustments | Collections Net of Refunds and Overpayments | Uncollected Taxes June 30, 2020 | Uncollected Taxes Per Detail June 30, 2020 |
|---|--------------------------------------|---------------------|----------------------------------|---|---------------------------------------|---|
| Motor Vehicle Excise Taxes: | | | | | | |
| Levy of 2020 | \$ - | \$ 2,759,860 | \$ 40,425 | \$ 2,512,618 | \$ 206,817 | \$ 206,817 |
| Levy of 2019 | 316,802 | 323,135 | 34,625 | 544,744 | 60,568 | 60,568 |
| Levy of 2018 | 62,093 | - | 4,206 | 31,490 | 26,397 | 26,397 |
| Levy of 2017 | 23,253 | - | 1,555 | 5,551 | 16,147 | 16,147 |
| Levy of 2016 | 10,689 | - | 1,493 | (10) | 9,206 | 9,206 |
| Prior Years | 27,066 | - | 14,086 | 2,583 | 10,397 | 10,397 |
| Total Motor Vehicle Excise Taxes | \$ 439,903 | \$ 3,082,995 | \$ 96,390 | \$ 3,096,976 | \$ 329,532 | \$ 329,532 |

**TOWN OF NORTON, MASSACHUSETTS
SCHEDULE OF TAX LIENS AND TAXES IN LITIGATION
JULY 1, 2019 TO JUNE 30, 2020**

| | Uncollected Accounts July 1, 2019 | Commitments | Abatements and Adjustments | Collections Net of Refunds and Overpayments | Uncollected Accounts June 30, 2020 | Uncollected Accounts Per Detail June 30, 2020 |
|---------------------|---|-------------|----------------------------------|---|--|--|
| Tax Liens | \$ 522,413 | \$ 218,489 | \$ 36,621 | \$ 198,983 | \$ 505,298 | \$ 505,298 |
| Taxes in Litigation | \$ 1,092 | \$ - | \$ - | \$ - | \$ 1,092 | \$ 1,092 |